

Leadership in Open Organizations

An international leader's reflections on
open organizations, open leadership,
and entrepreneurial leadership

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Introduction

Jim Hall (editor)

Open organizations flip the script about how teams and organizations should be organized. The "open organization" name comes from Jim Whitehurst's 2015 book, *The Open Organization: Igniting Passion and Performance*. Instead of a traditional top-down approach, Whitehurst described the open culture at Red Hat Software and how the open organization nature enabled the company to take risks and react swiftly to changes.

The Open Organization inspired many other organizations to adopt a similar model. As a result, open organizations can appear in many forms, but they are all defined by the five principles of *transparency, inclusivity, adaptability, collaboration, and community*. Transitioning an organization to adopt an open organization culture can be a challenge, but the effort can be very rewarding. Open organizations engage their staff and promote innovation, which in turn leads to increased agility.

We are fortunate to have Ron McFarland as an Open Organization Ambassador. Ron has a long history in working with organizations, and he uses those decades to share his perspectives on how open organizations can change the world.

Ron regularly contributes his open organization leadership perspectives with our readers at Coaching Buttons, an open community about Leadership. At Coaching Buttons, we welcome anyone to share their story about leadership. And we are glad to have Ron as part of that community. Ron's reflections about how open principles can transform organizations and help them thrive have been very popular with our readers.

We wanted to collect Ron's leadership essays into a book, to recognize Ron's contribution in open organization leadership. This book collects 36 of Ron's essays on open organizations, covering a range of topics including leadership book reviews, and resources for open global leadership. Through Ron's essays, we have an international leader's reflections on open organizations, open leadership, and entrepreneurial leadership.

In preparing the book, I tried to preserve Ron's essays as they were written, only making minor edits and updating the diagrams to make them more suitable for print. These are Ron's leadership essays as you can find them on Coaching Buttons.

Ron's essays are organized as chapters. Some are single articles, others are a series of two or three articles around a common theme. This organization means you do not need to read the book in order; instead, you can decide on your own reading order, reading some chapters first and others later on. For example, you might carefully review all the chapter titles first, and then zoom in on those topics that are most interesting to you.

Open organizations and the sharing economy

Open organization principles such as collaboration and community also support an emerging business model based on connections.

The *sharing economy* is a new industry concept built around sharing resources instead of buying things new from a factory. If an asset is not being used to capacity by the owner, there may be others who can use it so the asset is utilized to its full potential.

The Sharing Economy: The End of Employment and the Rise of Crowd-Based Capitalism by Arun Sundararajan (professor at New York University's Stern School of business) gave me many new insights about this business model and how it relates to many open organization activities.

The sharing economy model

The sharing economy is all about the transparency of people's unused or underused assets. Through various computer platforms, communities form among parties that provide and parties that use these excess assets. These

communities can greatly expand inclusivity, for example by extending resources to poorer communities and bringing more people into the global economy.

Anyone can become part of the larger economy by providing excess resources, including underused time, tools, and capacity. The sharing economy establishes new opportunities for both supply and demand opportunities. Through newly developed platforms, people can collaborate around goods and services in a way that has not been possible before.

Put simply, all five open organization principles are represented in this business model:

1. Transparency
2. Inclusivity
3. Adaptability
4. Collaboration
5. Community

Social values in a sharing business model

According to Sundararajan, social values in the sharing economy are, at best, weak in commercial economies.

For example, services like home cleaning, plumbing, painting, or electrical work can be offered or hired through a labor marketplace like Handy, TaskRabbit, or Thumbtack. Participants can validate their identities by sharing data from a valid Facebook or LinkedIn account. While all of these examples involve sharing - in this case, sharing time -

none of these services are offered for free. You get paid by the person you serve, or you pay the provider who shares what they have with you.

Providing services for profit is not the principal goal, however. While these activities can be profitable for both supplier and receiver, the opportunity to make new social connections can be fun and rewarding.

The sharing economy is not new, according to Sundararajan. Before the Industrial Revolution, much economic exchange was peer-to-peer, embedded in communities, and intertwined in various ways with social relations. About 50% of the population at the turn of the Twentieth Century was self-employed.

By 1960, that number was around 15%, as large corporations increasingly dominated the economy. Now, digital technologies are bringing sharing behavior, self-employment, and community-based exchange back to life.

Technology is building new forms of economic communities far beyond family, friends, neighborhoods, cities, or even nations. The sociologist Juliet Schor calls this "stranger sharing," including building trusting relationships with people you don't directly know. Sundararajan calls this "crowd-based capitalism," and it could radically transform the meaning of a job, reshaping employment regulations and social safety nets.

Underused assets

There are a lot of slack resources in most economies. Many assets sit idle most of the time - for instance, the average car is driven just an hour a day. Workers in a company have time and skills that go unused. Sundararajan contends that if you connect people with unused assets (an item, space, time, or skills) to people willing to pay to use them, you reduce waste and end up with a more efficient system.

Technology is already bringing those parties together and building supplier/user communities, as in food-sharing and car-sharing cooperatives, barter exchange systems, bike-sharing initiatives, cohousing programs, and coworking policies.

Sundararajan explains that the conditions for collaborative consumption occur when there is a critical mass of idle capacity. There are three key factors:

1. Untapped value of unused or underused assets
2. Belief in serving the common good with what is available
3. A system that allows strangers to meet and trust each other

People's spare time, items, skills, and space are being detected, dramatized, and made more transparent through digital networks.

For example, Alex Stephany is the CEO of JustPark, a peer-to-peer marketplace that matches people who have empty parking spaces with those looking for a place to park. In his

book *The Business of Sharing: Making It in the New Sharing Economy*, he defines the sharing economy as "the value in taking underutilized assets and making them accessible online to a community, leading to a reduced need for ownership of those assets." Stephany proposes five characteristics of a sharing economy:

1. It creates economic value.
2. Its raw materials are currently available underutilized assets.
3. It operates through online accessibility.
4. It builds a community that develops trusting relationships, social interaction, and value sharing.
5. It reduces the need for sole ownership of an asset.

The technology for these characteristics is supported by free software (or app development), distributed computing, and population-scale digital networks. These huge networks must be developed to support trusted, highly distributed communities.

Finding purpose vs driving profits

Much of the world is experiencing a new economic model that includes older economic models once marginalized under capitalism. The capital cost of effective economic action in the industrial economy shunted sharing to the periphery. With the technology mentioned above more available, the sharing economy will become more mainstream.

Furthermore, social characteristics, social cues, and differing motivations in the sharing economy are replacing profit-only goals. Characteristics such as generating information and motivating action will change how people think about basic economic activities. There will be a move toward purpose-driven communities within the profit-driven sectors of the sharing economy. Networking in this economy will be more peer-to-peer and have different production systems, governance systems, and ownership arrangements. Powered by TCP/IP protocol, a truly decentralized system will replace centralized distribution and govern supply chains and flows.

In his book *Remix: Making Art and Commerce Thrive in the Hybrid Economy*, Lawrence Lessig describes thin sharing economies as "economies where the motivation is primarily me-regarding or meant to serve the individual." By contrast, thick sharing economies are "economies where the motivations are at least ambiguous between me and thee motivation," or, in other words, motivation is oriented in some part toward the self and in some part toward others.

Commercial economies build value with money at their core. Sharing economies build value while ignoring money. Between these two economies, there is an increasingly important third economy that builds upon both the sharing and commercial economies and adds value to each. This hybrid economy may start with a commercial entity, for example, a business-model platform that leverages value from sharing. Or it could begin with a social connection

platform that builds a commercial entity to support its sharing aims better.

Building a trusting community

In a sharing economy, trusting others will be transformed from a scarce resource to an abundant one through available communication technology. The sharing economy allows people to trust strangers at levels that were not previously possible through multiple systems generating reliable digital cues - a digital trust infrastructure.

According to Sundararajan, the emergence of today's sharing economy is primarily due to digital enablers that have gradually gained strength and acceptance, mainly through mass-market smartphones, ubiquitous wireless broadband, along with an ever-improving trust system. This includes digitized real-world social networks built on decentralized marketplace protocols, identification systems, recommendation systems, testimonials, and peer-to-peer referrals.

To establish trust in an online setting, Sundarajan proposes three factors:

1. Verify identity: Consider getting references and third-party confirmation.
2. Confirm intentions: Does this person have other competing interests within this agreement? Determine what they hope to achieve for themselves, including the joy of helping others.

3. Determine capacity: Can this person really do what they say they can? Analyze the person's ability to deliver on their side of the arrangement.

In addition, Sundararajan suggests asking these questions when assessing semi-anonymous, internet-based peer-to-peer settings:

- What is the status of prior interactions? Could you try a small, low-risk test and determine trustworthiness?
- What is the experience of others? How have others been treated?
- What are the platform brand and policy conditions? Through the platform, are there any validation procedures?
- What is the overall digitized reputation in the community? Take a look at any analytics available, including reviews and testimonials.
- Are external validations or references available? Are there any independent evaluations offered?

Familiarity is a cumulative process that develops over time. Each positive experience can increase trust, particularly when announced on a reputation system. For instance, eBay has created a Power Sellers classification to identify high-trust individuals. In this system, the platform does the vetting, so the provider can build trust just by being accepted.

Other means of establishing identity and trustworthiness could include having a mobile number tied to a monthly subscription plan or holding a driver's license or credit card

in front of a webcam for a service like Jumio to validate your identity.

Currently, a good reputation on one platform may not be transferred to another platform. The platform Traity is building a general-purpose reputation program. It also verifies your government ID and links to your digital social capital on Facebook or LinkedIn. This can help make people more comfortable with others they've never met. These identity measures will further enable the introduction and application of the open organization principle of community building.

Real world examples of a sharing economy

From Airbnb to rideshare companies, the sharing economy model is here to stay.

Some of the most familiar examples of the online sharing economy started small.

Consider Airbnb, which started from three airbeds and became AirBed and Breakfast in 2008. As of 2016, 70 million guests have stayed in a stranger's home via Airbnb. The internet-based platform connects people who have a resource not used to capacity - excess space - with others who can use it and provides a means for them to establish trust.

It's a perfect example of the sharing business model.

Making connections

According to the book *The Sharing Economy: The End of Employment and the Rise of Crowd-Based Capitalism* by Arun Sundararajan, the economic fundamentals of crowd-based capitalism are superior to the current profit-based business model because the raw materials for this economy - space,

time, items, and skills - are in excess. Because they already exist, they don't create additional costs to offer them. You could consider it a form of improved resource use conservation, environmental protection or the sustainability economy.

Human relations are a significant value component of the sharing economy. For example, some ride-sharing operators want passengers to sit in the front seat to generate conversation and interaction. The service is about social connection as well as ride-sharing. Since many drivers work part-time as a small side job, the interaction may be just as valuable to them as the fee received.

In contrast, the traditional taxi service can suffer from poor hospitality and poor occupancy (utilization). Both are because of the business structure for traditional taxi companies, comparing vehicle ownership by driver or the company.

Crowd-based, public-private ownership using digital technology apps can tap into decentralized excess capacity that friendly people have rather than single company-owned centralized systems. Hospitality improves, and there is no additional up-front investment. There are sites to outsource the buying and delivery of your groceries, an app to help valet parking services locate cars and parking spaces with GPS, a mail pickup service, laundry pickup, dog walking, and much more.

Sharing means trust

eBay started in 1995 by moving the neighborhood garage sale online and offering isolated booksellers and thrift shop owners a way to expand their market reach outside their local community. The eBay system has many safeguards that protect both buyers and sellers through the transaction processes, so eBay maintains trading partner trust even with great geographic distance between buyers and sellers.

Building provider and user trust is an essential factor in making the sharing economy successful. To determine whether or not to place trust in a provider, consumers must consider the vetting process of each platform. What is the quality of their rating system? Some organizations use Facebook friendships as testimonials to confirm trustworthy people. Some platforms completely control the payment system, so payment is assured, but others don't.

Frederic Mazzella, a cofounder of BlaBlaCar, believes trust is central to his company's business and is passionate about its importance. BlaBlaCar's corporate headquarters has a life-sized cardboard cutout of Trust Man, a cape-wearing superhero with a "T" emblazoned on his jumpsuit. Mazzella's conception of trust is based on what he calls the D.R.E.A.M.S. framework: Declared, Rated, Engaged, Activity-based, Moderated, and Social. The company is constantly working on deepening its understanding of trusted exchange.

Collaboration means building communities

The organization OuiShare coordinates activities to foster collaboration. In June 2021, they gathered more than 600 people over the three days of OuiShare Fest, which included conferences, workshops, performances, and shows. With this event, OuiShare aspired to create social connections, projects, and collaborations by bringing together people from different backgrounds. Participants explored what they have an excess of and what might be needed and shared.

The group started in France and now exists in 20 countries in Europe, where it provides a shared platform for experimentation that gives connectors and members access to a commons of knowledge, tools, and an international network of people from whom to learn and draw inspiration. You could call it *transparency of the underused*.

Service platforms offer the spare time of people with knowledge, skills, or talent. For example, some platforms provide teachers with specific knowledge and skills in exchange for other knowledge or excess material goods, but not money.

The future of the sharing business model

The sharing economy is here to stay. IT leaders developing the next generation platforms should consider sharing economy ideas as part of their model.

We are at an emergence of another generational shift. Younger generations prioritize *experiences over assets* and *quality over quantity* in many areas of life, and technology has evolved to help fulfill their desires. In today's economy, the new generation does not want to be burdened with owning unneeded things.

Notice these demand changes:

- The next generation would rather rent from others on peer-to-peer accommodation platforms like Airbnb. They don't want to stay in high-rise hotels.
- Young workers prefer internet-based freelance work or gig jobs, working anywhere they choose. They are not interested in overwork and needlessly commuting to isolated office cubicles.
- The new generation would rather create sharing communities that offer item access, virtual currency

exchange, and flexible on-demand services when needed. They are turning away from owning and storing things they use only occasionally.

With new technologies becoming available, this new lifestyle is becoming more achievable. It is a future in which peer-to-peer exchange becomes increasingly prevalent, and the crowd replaces the corporation at the center of capitalism. These are growing communities aligned with the principles of open organizations.

Moving to collaborative capitalism

In his book *The Sharing Economy: The End of Employment and the Rise of Crowd-Based Capitalism*, Arun Sundararajan calls the sharing economy "crowd-based capitalism" and identifies these five characteristics:

1. *Primarily market-based*: It has potentially higher and broad levels of economic activity.
2. *High-impact capital*: It opens new opportunities for assets, skills, time, and money to be used at levels closer to their total capacity. It puts idle assets to work where, in the current system, they are wasted.
3. *Crowd-based, non-hierarchical networks*: Capital, assets, and labor come from decentralized crowds of individuals rather than centralized corporate or state sources. They are governed by distributed crowd-based marketplace systems or platforms rather than by centralized third parties. Distributed control ensures that value is prioritized, not just profit gain.

4. *Blurring lines between roles:* Distinctions like personal vs. professional and producers vs. consumers are less meaningful. Sharing that used to be personal is becoming semi commercial. One can be a producer and consumer simultaneously, supplying newly discovered excess wealth-producing assets.
5. *A changing work environment:* The differences between fully employed and casual labor, independent and dependent employment, and work and leisure are less clear.

These characteristics illustrate why terms like "collaborative economy," "gig economy," "peer economy," "renting economy," and "on-demand economy" are part of the *sharing economy*. The sharing economy has commercial characteristics, but there is also a gift economy that serves both an economic purpose and social and cultural functions.

Sundararajan maintains that the Twentieth Century was defined by *hyperconsumption*, whereas the Twenty-first Century may become the century of *collaborative consumption*. Hyperconsumption differs from collaborative consumption in four ways:

1. Buying individually on credit vs. collaborative joint purchasing, sharing, and trusted community building
2. Mass advertising vs. community interaction
3. Individual ownership vs. sharing access to assets
4. Global and regional syndication vs. local and virtual face-to-face networking

These patterns fit nicely in situations where *open organization* principles like transparency and collaboration can play a major role. The sharing economy reflects a shift away from faceless, impersonal Twentieth Century capitalism and toward exchange that is more connected and more embedded in a community with a purpose.

Within the new sharing economy, there are social cues to the importance of trust, reputation, and a digital community facilitating service to others. These elements lead to a human bond between the two exchange parties.

This cohesion is central to the sharing economy. It embraces exchanging services and value with others even though payback is not clearly defined. Sometimes, the joy of giving and the good feeling of being generous to a stranger are enough.

A new model

Sundararajan writes, "Gift exchange tends to be an economy of small groups, of extended families, small villages, close-knit communities, brotherhoods, and, of course, tribes." Today's sharing economy scales behaviors and forms of exchange long familiar in such communities to a broader, loose-knit digital community of semi-anonymous peers. These exchanges are on a continuum between the gift economy and a market-transaction economy, with very few at the ends of the spectrum and many more at some point in between.

Consider the Couchsurfing platform. You join this platform by setting up an account; to do that, you must verify your identity. Once becoming a member, you can sleep on other members' couches, and they can sleep on yours. There is no financial exchange. No one monitors whether you offer your couch or use other members' couches more.

Users say they are attracted to this platform primarily by the opportunity to meet people or make new friends - a representation of the open organization principle of community or network building. Finding a place to stay is of secondary value. Hospitality and a desire to connect with other human beings drive the Couchsurfing platform. Sometimes a Couchsurfing member contacts another member in a strange city just to socialize without a stay, simply to interact with a local person within an unfamiliar community.

This human interaction results in positive experiences, resulting in favorable reviews, which could result in finding accommodations more easily in the future.

Shifting business models

What social factors promote sharing? One is the continuing growth of the global urban population. People are physically becoming closer and, therefore, can more easily share underused assets. There will be continued growth of *megacities* with a population of over 10 million worldwide.

Forecasts suggest that all future population growth will be in urban areas, particularly these megacities.

Consider this: People in cities share public parks, transportation, and apartment buildings without a thought. No one would consider purchasing and individually owning any of these public assets. The more densely populated an area is, the more sharing will happen naturally. Furthermore, with less space, people will not want to fill their space with things unless those things are in great need and regular use. These factors lead to more peer-to-peer sharing and less individual ownership.

In the book *Peers, Inc*, Robin Chase gives many examples of how the supply of many goods and services that used to come from corporations and the government may come from peers in the community. Chase writes that emerging practices such as the sharing economy, crowdsourcing, collaborative production, and collaborative consumption create more peer-to-peer, peer-to-business, and peer-to-government projects, and more small-business-to-big-business interaction.

With this growth, navigating this change using open organization principles will become increasingly important.

Regulation and consumer protection

Peer-to-peer platforms create new and different regulatory challenges. Standardized regulations may make sense on a large scale but are not suited to small person-to-person

arrangements. The question is, can trust and consumer protection be established and enforced without putting too much restriction on small, vulnerable *microentrepreneurs*?

One approach is to form a guild within the community that can act as arbitrators of disputes. These guilds have experts and experienced members who can fairly address most issues. They can act as third-party mediators.

Peers.org is a collective action platform that can start petitions and collective actions when there is improper behavior in private or public institutions. A platform like this could monitor and respond to digital, virtual, and physical issues within a given community.

Left alone, market practices can produce inefficient, inequitable, or insufficient outcomes, which economists call market failure. This can happen when there is an imbalance in knowledge between provider and user. Sundararajan offers three suggestions to mitigate this problem:

1. Peer regulation

Recommendations, referrals, suggestions, and product reviews among third-party peers are compelling. They can build or destroy a business's reputation and social capital. A sharing community sets standards and works collectively to ensure those standards are maintained.

With today's technology, a platform can develop the appropriate community and regulatory framework. eBay

has its Power Sellers, for example, and BlaBlaCar offers an explicit certification of trust based on driving reputation. In microfinancing, your reputation can substitute for credit history. Yelp started as a restaurant rating platform but now rates many things.

Third-party certification can also help maintain acceptable standards. Furthermore, to build a trusted business relationship early, paying more than the market requires and keeping early transactions small enough to avoid heavy losses might be wise.

2. Self regulation

Platforms want to reduce market failures that would create a bad reputation and deter people from using their services. In response, they create platform volunteers that educate and inspect the activities of people using it. Profiles on platforms like Facebook and LinkedIn can also form a digitally verified ID. Some websites also offer criminal background checks and driving histories.

Furthermore, self-regulation could happen through building coalitions (self-regulatory organizations or SROs). Coalitions can be like self-governing bodies or guilds. They define standards, monitor them, and govern specific industries or professions, not just individuals. They rate each agent and determine trustworthiness.

Within the sharing economy, Sundararajan believes these guilds must establish credibility early, demonstrate strong

enforcement, be perceived as independent, and take advantage of participants' reputational concerns and social capital.

Community trust can be built to form long-term relationships. More than one transaction will be required for a lifetime career. The successful completion of one transaction leads to future transactions. The community must have communication networks that monitor successful transactions.

Consideration must also be given to those that don't use the service, like an Airbnb host's neighbors. It may be wise to join local co-op associations, condominium boards, or homeowner associations.

3. Regulation through data

Technology can also provide governance, from simple devices like taxi-metering equipment to advanced algorithms. Many websites mine data from their users, which must be carefully used with both the suppliers' and users' permission. If they grant permission, communities can monitor much information about satisfaction.

In addition, digital security systems can detect and block fraudulent activities swiftly. Even cameras that detect repeated lack of smiles can identify signals to point out concerns.

Sundararajan does not argue that government safety laws and regulations are not required. However, community-based and internal regulation is more powerful in many countries than existing laws.

Governments will also have to play a supporting role in making this business model more successful: Legal standards would be helpful, and industrial guidelines and inspections could make these services more reliable.

Fighting life's distractions

In today's noisy environment, a leader has to at least reduce counterproductive "noise" and biases to achieve the desired goals.

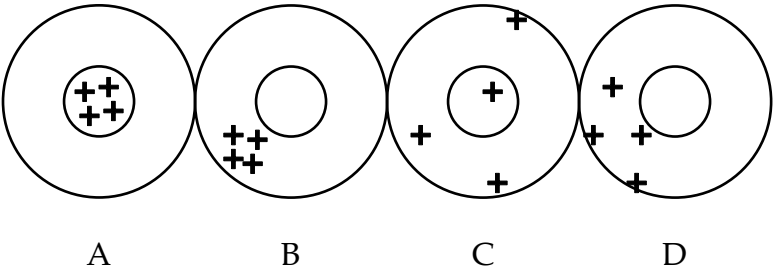
Looking at the Open Organization Definition principles of Transparency, Inclusivity, Adaptability, Collaboration and Community, I was wondering if there are times when it is not good to collaborate and discuss issues.

According to at least two experts, the answer is yes. This is because a discussion may be counterproductive to helpful information gathering. Based on the book *Influential Mind* by Tali Sharot, our minds are always being influenced by our surroundings. It impacts our recall at any given time. Therefore, interactions with people too early might bias and block information from being obtained. In a decision-making meeting, the person that first presents a suggestion will influence everyone, and the decision-making process could be biased. She calls it "group think." Yet that first comment may be based on poor data from a very outspoken person.

I just read the book *Noise: A Flaw in Human Judgment* by Daniel Kahneman, Olivier Sibony and Cass R. Sunstein. I

noticed that Sharot was consulted for this book, which introduces two collaboration concerns, namely biases and "noise."

To explain the difference, the book takes the bias problem one step further. They offer four outcomes to a discussion, through the imagining of a "shooting gallery target" and hits on the target. Consider these hits as human judgment or decisions made correctly or wrongly. Simply, was it a successful, accurate decision or an unsuccessful, decision error? If unsuccessful, by how much was the whole team off what they wanted to achieve?



Adapted from Noise: A Flaw in Human Judgment

Everyone on Team A (no bias and no noise) hits the bullseye. This means they gathered, used, collaborated on and agreed on good information to reach the ideal result. They are not particularly biased or impacted by what Kahneman calls "noise."

Team B (bias but no noise) was off target, but all in the same area, in the lower left. This means the team's judgment was universally biased by something or someone specific, as all the members hit the same area on the target. They believed in the same false information. They didn't have any "noise" to speak of though.

Team C (no bias but noise) judgment results were somewhat centered, but scattered around the bull's-eye except one. This means that many things had negatively impacted their judgment accuracy, except for one member. There was no single, interesting but false factor that influenced accuracy. This is what Kahneman calls "noise," those random unknown factors. It is different for each individual and very hard to identify, but it exists. It adversely impacts judgment though. If ignored, poor judgments can result, even on extremely important issues. Imagine being sick and going to five doctors to be cured, but all five doctors give different diagnoses (judgment). The book gives countless examples like this variance. This problem is far greater than we usually think, according to Kahneman. The book offers suggestions which could be collaboration methods in open organization communities. Hopefully, this will result in better community judgments and decisions.

Team D (both biased and noisy). This team is both biased and influenced by noise. This means someone, or something, has biased the group's judgment to push it off target toward the lower left direction. Also, other things impact each member's judgment which results in the spread between

them. They may be ignoring important information or considering unrelated information.

So, why are they off target? It is because of human error due to bias (systematic deviation) or noise (random error). Once we learn the reason why, then bias or noise reduction measures can be put in place to improve judgment outcomes. Bear in mind that both are errors and should be reduced. Depending on the actual case, one error might be more important than another, but Kahneman's book mostly concentrates on random noise.

What is this hidden noise?

This "noise" can come from a variety of sources. It could be a person's stress level or mood while making a judgment. It could be unrelated intimidation or outside opinions. Furthermore, it could be distractions or dramatic events. It could be room temperature, or unnecessary, unrelated, irrelevant, useless information that distracts the judgment process. Furthermore, it could be the time of day which impacts everyone differently.

In groups, does a person give a strong opinion that moves the discussion in the wrong direction? Also, who speaks last, who speaks with confidence, who is wearing black, who is seated next to you, who smiles, frowns or gives odd gestures? All these could have an impact on the group. This is called "social influence," a form of noise.

The importance of finding and reducing noise

If a team always has vastly different judgments, there will be poor and unjust outcomes. This is particularly true for extremely important decisions or judgments. To address this, first, the noise must be identified. Then, an appropriate strategy to address it must be collaborated on and adopted. This will result in teams or communities making better decisions.

Imagine that your Open Organization team is making a decision on the price of some software you jointly developed, and everyone offers their best quotation. If they all are around 10% more or less from the average, that would be normal, and an agreement can be easily reached. But, what if many are 50% to 90% more or less than the average, some doubling others? In that case, there is probably excess noise.

Start with mediating assessment protocol

Before reducing noise, teams need to evaluate what noise that is present and determine how impactful that noise is on collaboration and decision-making within the team. Once identified, then the appropriate noise reduction protocols can be introduced, installed and supervised. Noise will always exist and cannot be completely eliminated, but it can be reduced.

In these types of "noise audits," many independent individuals should evaluate the situation. They observe the

differing situations in which it is present. After confirming that noise is present, strategies can be put in place to reduce it, which tightens the wide-ranging judgments between team members.

Audits are conducted by observing how people evaluate certain things, like my software pricing case above. A team of qualified auditors are selected. They develop a jointly decided on, structured questionnaire of relevant questions, making sure to avoid irrelevant information.

Auditors then ask each member for a quotation individually and get the reasoning behind that quotation. Each member being questioned should not know that all members are asked the same questions. With the answers given to the auditors, first they look at the variation between quotations (the average quotation and standard deviation determined). Then, they list all the perspectives side-by-side and compare reasoning between them by looking for similarities and contradictions. Finally, they evaluate each of the reasons. There could be important, informative perspectives by only one person's reasons, but other's reasons could be based on incorrect information. That all has to be exposed.

Sometimes, the observations of multiple independent judges are helpful. After the full independent evaluation, an aggregate, concise, understandable finding is formulated. The finding is presented to all the participants which leads to thought triggers, and stimulates quality discussion. This should take place only after all perspectives and components are assembled, explained and understood. If time permits,

possibly all the perspectives should be evaluated separately by the judges only before any overall discussion takes place. Evaluate each perspective or factor by talking about them and evaluating each perspective jointly. After that, evaluate each perspective against all the other perspectives. With all the perspectives visible, a quality judgment can be made.

Judgments, not personal opinions

This refers to matters of accurate judgment, not matters of individual opinions or tastes, where differences are entirely understandable. For judgment calls, everyone should not be exactly the same, but in pretty close agreement. If there is massive disagreement, then noise is probably present.

Let's look at the extremes, where noise is everywhere and where it doesn't exist at all. On the one hand, you have computer-generated decisions or hard rules that have no noise, as no human judgment is required. On the other, you have wildly different tastes or opinions on the issue at hand. Between them is judgment and a certain noise level when addressing an issue. Our goal is to reduce the major noise within that judgment environment (some call this the "expectation of bounded disagreement").

What you want to study in an audit is not just what each person's judgment is. You want to learn exactly what factors impact each person when making a judgment. Then, by exposing those factors, noise issues can be addressed, and a tighter agreement should result.

You can audit the noise in your team's judgments by performing a simple review. To examine the noise surrounding your team's decisions, follow these audit steps:

1. Break the decision into components to assess data.
2. Use outside views and comparisons for evaluation.
3. Keep all judgments independent and isolated from others.
4. Review each assessment separately.
5. Judgments should be individually made initially.
6. Delay all final decisions until a mass amount of components and perspectives are exposed. In some cases, each component's judgment might be far more important than any final decision. The final decision could at best be a continual work-in-process.
7. Expose all information in a carefully decided sequence and with common frames of reference.
8. Aggregate the findings from many independent judgments.

Reduce noise to make better decisions

Use this process to reduce the noise that creates radically different judgments in group collaboration.

Noise reduction strategies are like washing your hands before eating a sandwich. You may not know what germs you're killing, but you know it improves your health. This decision-making error prevention is often thankless, as it can't be observed. Noise reduction are measures that prevent unwanted things or events from happening, but you don't know if it was the preventive measures, or something else, that caused the judgment impacting noise. Noise is an invisible enemy, and therefore a victory against it is also invisible.

What you have to do is a cost-benefit analysis. If washing your hands is extremely easy with soap and clean water, and not washing your hands will get you killed, the benefit of washing your hands is greater than the cost. For all decision hygiene projects, this analysis must be done to confirm its need and convince every one of its importance. In other cases, where the effort is great and the benefits little, it might be best to just tolerate a certain level of noise.

Principles of decision hygiene to improve collaboration

According to the book *Noise: A Flaw in Human Judgment* by Daniel Kahneman, Olivier Sibony and Cass R. Sunstein, there are six decision hygiene principles:

1. The goal of judgment is accuracy, not individual expression or tastes.
2. You must think statistically, make comparisons and take an outside, comparing view.
3. Structure and break down judgments into several independent components.
4. Resist premature overall intuitions. Kahneman says judgments should be a 2-step process. First, individually and independently make judgments on all components. Then, second, combine all components for the final overall judgment, not a quick 1-step process.
5. Obtain independent judgments from multiple judges, then consider aggregating those judgments.
6. Find comparisons to evaluate against (one thing over another thing) and develop relationship scales (framing range).

One way to improve decision hygiene and reduce the chance of noise and bias is to sequence the introduction of information. While collaborating, information should be provided when it is immediately needed. If it is delivered too early, it could create noise/biases, be distracting or be irrelevant. This is called "linear sequential unmasking."

Irrelevant information could be considered "noise" if it adversely impacts good judgment." Kahneman writes that "bias" pushes a judgment in only one direction away from the ideal, not in any direction like noise. Rules, standards, guidelines, formulas, and algorithms can reduce noise and judgment errors. These rules, formulas, and algorithms are not noisy and could be superior in accuracy. Here, unbiased software developers can be very helpful.

Think of the error chance difference between paying a machine cashier or a human when buying something in the store. Which has the higher chance of not giving you the correct change? Wherever there is human judgment, there is noise. If machines make the judgment, there is no noise, but totally relying on heartless computers may not be appropriate or welcomed. Furthermore, machines can obtain more information faster than humans. Considering this, we need to find a balance.

Sometimes, using a detailed checklist of factors impacting any judgment is helpful. After going through the list and considering those factors, better judgments can be made.

In other cases, general guidelines (which are more flexible than firm rules) can help reduce noise. Measuring scales, and comparisons, can also improve judgment. For example, structured, scripted job interview guidelines are always more reliable than unstructured, free speaking ones.

Complexity breakdown

In complex judgments, breaking the issues down into component parts, tasks and assignments can reduce wild variation in judgment. Those components can be evaluated separately, weighted and finally combined.

First word impact

The book *Noise: A Flaw in Human Judgment* calls this "anchoring" which reduces the chance of highly diverse judgments. The first word in a list becomes the anchor, which we have to fight to avoid putting extra weight on. We must apply critical thinking to this sequencing impact.

Consider this example list of words, "unprincipled," "cunning," "persistent," and "intelligent." Jumping to conclusions, we tend to anchor to the first word and give an overall negative judgment. If the words were instead ordered "intelligent," "persistent," "cunning," and "unprincipled," we might give a more favorable judgment.

Also, we should find quality comparisons (or anchors) to value against. Words like "best," "quality," and "good" could all carry different meanings to team members, but those words are more understandable when compared to something specific.

Making the right decision easy

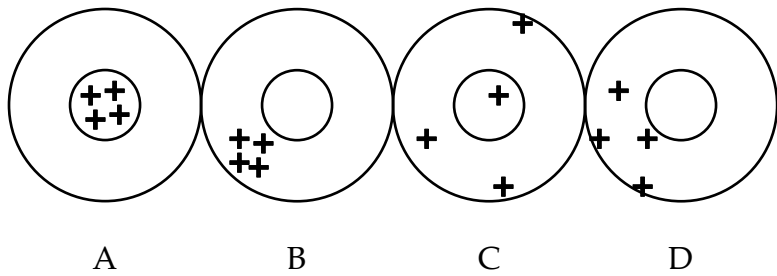
Critical thinking requires effort. Therefore, to reach agreement easily, use justifiable information that is readily available and easy to understand.

Let's consider an example of a team making a decision. Imagine that your Open Organization team must agree on the price of a new product. To start the conversation, everyone suggests a price. If everyone's suggestions are around the same value, an agreement can be easily reached. But if the proposed prices differ greatly from each other, the group needs to find a comfortable middle ground. Here are some steps you might use to come to agreement:

1. Assign a facilitator to govern the judgment process. The facilitator asks each team member to individually consider what they think the ideal price should be and include reasons explaining why. They should then prepare a document of that price with those reasons and store the document somewhere that is not visible.
2. The members should wait for some time before reviewing the document. It could be overnight ("sleep on it"), a week later, two weeks later, or a month later depending on time available.
3. After some time has passed, and without looking at the concealed quotation, the facilitator asks the team members again for the ideal price and to give their reasoning. Then compare the two quotations and

compare reason. Hopefully, different perspectives will come out, and they come up with a more accurate price.

4. The members might try to argue *against* their own reasons, and that's okay. Hopefully, each member will be in a different mood, under different time pressures and have a different energy/emotional level the second time, so different insights are generated.
5. Then, the team can collectively make a second document with these new insights after reviewing the original quotation (the original "anchor" that Kahneman and his team writes about).
6. After all the members have completed their revised document of the quotation and reasons for it, they submit their quotations to the team facilitator. The facilitator calculates the average quotation submitted and the standard deviation among them.
7. The facilitator prepares visual slides like a "target" illustration (below) of each document submitted, with each's deviation from the average. Then, the facilitator invites all the submitting members to attend a discussion meeting. He asks them to be open-minded to new information, perspectives and reasoning.



Adapted from Noise: A Flaw in Human Judgment

If you consider "above the bull's eye" to be overpriced, "below the bull's eye" underpriced, "to the left of the bull's eye" one major reason and "to the right" another major reason, you can visually make difference comparisons. In Target A, all four prices and reasons are about the same (all close to each other). In Target B, all are underpriced to what they could sell the software for in the market, and for similar reasons. In Target C, one quotation is very high but has similar reasons for another very low quotation. Also, the other two have similar quotations but for very different reasons, one having very accurate reasoning. In Target D, two have similar accurate pricing but for similar inaccurate reasons. The other two have similar low prices, but their reasoning is not that accurate.

8. Looking at the visuals of each, one-by-one, invite the members to explain their quotation and reasoning. The order of the presentations are randomly selected. During each member's initial presentation, don't

allow comments or evaluations until all presentations have been given.

9. Once all the presentations have been explained in detail, line up all the visuals side-by-side for comparison. Side-by-side, everyone can identify the quotations with the largest deviation from others, and their reasoning. Was it based on something no one considered? Did it rely on false information? Was it ego driven? This now can be discussed and explored while they notice similarities and contrasts of all the documents.
10. After discussion, the team comes up with an agreed on most accurate, important reasoning and determine a jointly decided quotation. This process could be repeated after the software has been on the market for a period of time to make pricing adjustments if need be.

This method will result in a more reasonable quotation with both less noise and less bias. With what I learned from reading *Noise: A Flaw in Human Judgment and Influential Mind*, the skills of collaborating should improve greatly.

Globalization and industrial revolutions

A brief history of globalization and how multinational corporations have to play a more sustainable, ecological and humanitarian role in the future.

Several years ago, I gave a presentation on company stakeholder relations. In that presentation, I presented all the ways a company impacts on the parties it interacts with. I first defined who I thought the "stakeholders" in a company were. A stakeholder is a group that is affected by the company in some way, and that relationship must be respected and managed. After that, I presented the concerns of each stakeholder group, so each can be interacted with appropriately. I discussed how to interact with shareholders, lenders, employees, customers, suppliers, the neighboring community, local environmental groups, the government and even the families of employees. That presentation was only from the perspective of a small local company. I gave no global perspective.

Recently, I have been exploring how to attack global issues and how they can be addressed using Open Organization Principles. In that pursuit, I learned that the World

Economic Forum looks at global issues in detail and has had discussions on these subjects between global corporations, government officials and educators since 1971. The founder, Klaus Schwab, and Peter Vanham co-authored the book *Stakeholder Capitalism: A Global Economy that Works for Progress, People and Planet* (2021) that presents how corporations confront global environmental and humanitarian issues, and the roles multinational corporations should play.

Open Organization Principles through history

Schwab's book reminds us that we have been using Open Organization Principles throughout history. In earlier civilizations, it was very primitive. Then, through the centuries, it has gradually improved. Our job is to keep that improvement moving forward. Schwab thinks that global governance is required to address worldwide issues. Let me review his thoughts through history.

Schwab's First Wave of Globalization (up until around 1914)

Schwab believes the first wave of globalization was during the dominance of the British Empire. Refrigerated cargo ships, introduced in the 1870s, allowed for long-distance meat exports. Open Organization Principles were just starting to be applied globally, although there were regional empires before that time.

Schwab's Second Wave of Globalization (starting after World War 2 with United States and Soviet expansion)

What Schwab considers the first wave of globalization ended with World War 2, and the second wave started after the war. This is when the real global economy began, with exports of up to 14% of global GDP by 1987 and an increase in middle-class incomes in the West. This was when the United States and the Soviet Union became the two superpowers, and there was expansion in manufacturing, as well as both car travel and air travel. In this period, these two groupings evolved.

Schwab's Third Wave of Globalization (global supply chains and the United States all alone)

Schwab's third wave of globalization saw the collapse of the Soviet Union and the United States was all alone as a superpower. Trade was no longer a luxury, but a necessity. The world of the Internet had arrived and was just starting globally. This is when digital globalization started and became a major part of the world's GDP. You could develop a product in one country, source components in another, produce the product in a third country and distribute it all over the globe. One of the two groupings from the Second Wave declined (Soviet Union) while the other (United States) pulled ahead and collaborated more globally on its own.

Schwab's Fourth Wave of Globalization (where the United States and China dominate)

Schwab's fourth wave of globalization is where we are today with two superpowers: the United States and China. Now, we face completely different global issues, like cybersecurity, climate change, and global disease. Therefore, we need even greater global collaboration, transparency and all the Open Organization Principles. These must be improved on and put to greater use.

Technological development through history

The Waves of Globalization came about through technical development. We have experienced four technical industrial disruptive revolutions, according to Schwab. These all were times in history when innovation made major disruption of the workforce, changing the nature of not just what we do, but how we think and interact with each other:

Schwab's First Industrial Revolution: Animal power to steam engine around 1800

Schwab's First Industrial Revolution was around the invention of the steam engine and how it was put to use in the 1800s. The industrialized world moved from animal power to machine power run mainly on oil and coal. In general, the benefits of this innovation were in advanced nations in North America and Europe. During this period, industrialists replaced kings and priests at the top of society,

and factory workers with no bargaining power replaced serfs and small farmers at the bottom. There was very little worker representation and weak antitrust laws. Industrialization brought a further extension of great inequality, as opposed to just everyone being poor except royal family members and rulers.

The developing countries of the world felt little reward from these innovations. They pretty much were excluded from the global economy. The Open Organization Principle of inclusivity was not developed fully, particularly in non-industrialized nations.

Schwab's Second Industrial Revolution: The internal combustion engine, electricity in homes, mass automobile use and radio broadly available around 1900

Around the beginning of World War 1 (1914), automobiles (mass-produced passenger cars), electricity in homes (bringing washing machines, air conditioners, and refrigerators), the telephone, airplanes and radio came into use. The car replaced the horse. The plane replaced much passenger travel by ship, and electric household devices replaced domestic workers.

Monopolies increased, so companies were broken up, became state owned or fully regulated. Those methods kept prices and services at reasonable levels, but monopolies did not serve the greater good of the general population. Unfortunately, with little competition, new ideas, innovation

and progress suffered. So, while things did not worsen, they did not improve either.

The developing countries of the world in this period felt little of this progress as well. Again, there was little inclusivity of the poor in the global economy.

Schwab's Third Industrial Revolution: Information technology and the computers of the 1970s and 1980s

This period saw the introduction of global information exchange through the development of the Internet. This was the information age and brought communication globally between individuals and within industries to a level never seen before. It greatly enhanced the productivity of white-collar workers. In manufacturing, global supply chains were formed which disconnected them from their company back-offices and headquarters. With these advances, community development, inclusivity, collaboration and transparency exploded.

The developing countries of the world first felt rewards for these innovations, particularly in China and India, where a large amount of the population was lifted out of poverty. Finally, major parts of the global population were finally included in the worldwide economy. You could say that this is the point in history when Open Organization Principles could be applied more broadly on a global scale.

Within some countries, particularly industrial countries, a certain amount of the population has not benefited as much

from these innovations while others benefited greatly.

Schwab's Fourth Industrial Revolution: Robots and AI came on the scene since 2016

This is the era when not only machines are more broadly replacing physical labor, but mental work as well. The machines are starting to do the thinking for us in many disciplines. Schwab writes, "Engineers, designers, and architects are working with computational design, additive manufacturing, materials engineering, and synthetic biology to pioneer a symbiosis between microorganisms, our bodies, the products we consume, and even the buildings we live in." This might lead to even greater inequality.

Furthermore, cyberwarfare could become a major issue. Therefore, according to Schwab, ever greater global governance will have to be introduced to shape behavioral policies and business best practices. The World Economic Forum's Centre for the Fourth Industrial Revolution is trying to address this concern. While not adversely influencing innovation, governments around the world have to play a more active coordinated role addressing global issues. They cannot be controlled on an individual country basis. With those concerns, we must apply Open Organization Principles globally.

World Economic Forum

The World Economic Forum's Centre for the Fourth Industrial Revolution (C4IR) is a hub for global, multi stakeholder co-operation to accelerate the benefits of science and technology. With centers in 13 countries around the world including Japan, the C4IR Network is working with governments, businesses, academia and civil societies to develop prototypes and test pioneering collaborations and governance models to ensure the benefits of technology are maximized, and the risks widely distributed. This is where real global Open Organization communities are being promoted.

Considering all of these points above, no single company can plan on getting ahead by using old technology or methods. Some thought leaders are afraid of new technology, as it would destroy what is familiar to them. New technology that is not familiar to us is scary. But we should not be afraid of new technology and hold on to old technology too long.

Moving to a community servant model and Open Organization approach

Using an Open Organization process, companies can become more responsible and adapt to change more quickly.

Based on the book *Stakeholder Capitalism: A Global Economy that Works for Progress, People and Planet* by Klaus Schwab and Peter Vanham, I will present Schwab's thoughts on how to get multinational corporations to be more broadly responsible and be more adaptive to a changing global environment, in which Open Organization Principles should play a role. Organizations should also be more concerned for not only shareholders and customers, but all stakeholders like lenders, governments, employees, suppliers, the local and broader community and the global environment.

Schwab writes, "Governments and companies must invest more in continuous retraining of workers, unions must be stronger but have a cooperative approach to business and government, and workers themselves should be positive and flexible about future economic challenges they and their countries face." This all shows the importance of the Open Organization Principle of Adaptability.

Governance organizations

To become active on the above, corporations must be governed and guided. This is where multinational institutions come into play. Consider these governing bodies:

International institutions: Worldwide issues have to be addressed with globally coordinated activities with one goal in mind. Independent institutions must decide what needs to be done and what they can do.

National governments: Nations, with decided global roles in mind, must decide how their country will address worldwide concerns. What is each country's responsibility for the global good?

Corporate governance: A Stakeholder Capitalism Metric (for a company's evaluation outside of profit) can be put in annual reports to show how well they've done in moving forward with sustainable activities. What is their gender gap? What is their diversity gap? How has the company reduced the use of fossil fuels? How much training is going on for jobs of the future? What is the company's global tax structure? Businesses need to do more than just make well-intended, vague pledges. Execution on global good issues must be measured and results made transparent for all to see. What is their global impact?

Investment community: Investors can evaluate companies on their stakeholder values, goals and the standards that they

promote. Investments for global good (not just profits) should be encouraged.

Individually at the community level: How well are greater good activities at the local community level being executed on?

Advocacy groups: These are groups like Fridays for the Future (Greta Thunberg), the Me Too movement, and Black Lives Matter. These are all advocacy groups. They should get involved globally, as well.

Modern Trade Unions: Unions (or a company's consulting committees) can create task forces to address greater good issues. They can make sure that discussion, collaboration, inclusion, adaptability, transparency are present. For example, they might study what a reasonable salary is, if they offer continuing training, if they sit on company boards, if they ensure that companies and employees all prosper. Currently, this is important in the "gig" or freelance economy, like drivers that work for one employer. If you work for many companies, you can compare and compete for conditions between employers, but if you only have one employer, you must be protected.

Consumer groups: These are the people that buy from companies that follow stakeholder standards. Consumers can organize and start demanding more environmental and social responsibility from their suppliers.

Issues of concern that must be made transparent

This is where the Open Organization Principle of Transparency becomes so important. In this case, it exposes what companies are actually doing, irrespective of what they say or commit to. Let's look at corporate activities, climate issues and global cybercrime.

Multinational corporations have grown in power and numbers. But the ability of governments to control and govern them has weakened, particularly in taxation, employee rights (unions), local community rights, supplier rights, and environmental protection.

Governments can address these concerns in three ways, according to Schwab:

1. They can keep a strong hand in the distribution of both resources and opportunities.
2. They can intervene in an industry where they need to be.
3. They can direct the economy by means of large-scale infrastructure research and development, education, health care, or housing projects.

Overall, they ensure that private and short-term interests do not overtake broader societal interests. Singapore, China, and Vietnam have tried to do this with varying success.

The profit motive is powerful, and it must not be lost totally, but other stakeholders must benefit as well. Open Organization Principles can help, first by making corporation activities around those issues transparent.

Private companies must be encouraged and directed toward the common good. No single stakeholder should dominate over all other stakeholders. All stakeholders should be represented and have a seat at the table on corporation boards (including environmental protection). That way all can thrive, according to Schwab. Here is what he means in more detail:

1. Having a seat at the table, people have a voice in decision-making. Good participation and inclusive policies result in equality and fairness.
2. Each stakeholder represents a specific part of society and their concerns should be addressed.
3. Each stakeholders' value to the organization should be calculated.
4. If a company respects all stakeholders, including the environment, they will be more profitable in the long-term but may sacrifice minor short-term gains.
5. Each destructive issue should also be made transparent, so attention will be directed to it.
6. Checks and balances should be in place so that each stakeholder is compensated. Everyone should know what stakeholders' take from society is and what they contribute. Their share of the total pie should be commensurate with their contribution, both locally and globally. Independent institutions should ensure that all stakeholders are represented, and no stakeholder has overwhelming power over others.

7. Global issues must be addressed. International institutions must be strengthened, as no one single country or multinational corporation can dominate global information flow, money, people, infectious diseases, global cybercrime and climate/environmental issues.

According to Schwab, "Stakeholder Capitalism" is different from both shareholder capitalism (common in Western nations) and state capitalism (common in countries like China, Vietnam and Russia). Those systems create inequality in the society. "Stakeholder Capitalism" addresses social, economic and environmental issues more directly. All stakeholders must become both responsible participants and beneficiaries within the society, while protecting the environment as well. Excess pressure toward maximizing profits has to be avoided.

Robert Reich has been speaking about what the purpose of corporations should be, and it is not only to maximize profits. So, both Reich and Schwab have similar opinions, which has to be reflected in legislation toward global corporations.

In the preface of the book, Schwab mentions that the entire world has to collaborate better with each other to solve global issues, particularly at the multinational corporation level. This has been made startlingly clear with the global Coronavirus, which had to be addressed globally and urgently. That is far different from climate change and income inequality, which come at us only very gradually.

Weakness of GDP value

Just looking at economic data is not helpful when measuring many global issues. To address the problems facing the international community, we cannot just look at Gross Domestic Product (GDP) performance (goods and services produced). Even the economist Simon Kuznets (who developed the GDP concept) said it was not a good measure when making economic policy, as human welfare was not included, not to mention environmental damage. It was never intended to be used for issues like climate change or other issues. Simple GDP growth might not be a good measurement of prosperity or environmental protection.

Since the first World Economic Forum meeting in Davos, Switzerland, Schwab thought that corporations should put more attention on society as a whole and not just attention to shareholders. What he is referring to is stakeholders; therefore he came up with the term "Stakeholder Capitalism" that takes into account parties other than just the owners of the company. Social, global macroeconomic and environmental issues should be considered as well.

Throughout his book, Schwab presents indexes, standards, action plans, benchmarks and milestones to help the global community monitor if stated targets are actually being executed on. Over my career, I have found that actual execution of decided on targets is often the weak link and not met. I would guess that Schwab knows that too. Once these detailed measurements are put in place, they should be

reviewed by reputable independent organizations. After the review, the results should be announced and made as public as possible. It helps the organization that set the targets get back on track.

Let's take a look at how that might work with the World Economic Forum's Stakeholder Capitalism Metric that measures company performance and governance outside financial goals. These metrics are in three main categories: people, planet and prosperity.

Just looking at people, companies must involve all employees in continuing, regular and constant reskilling training for future jobs. This includes the training of discharged employees as well. This way, all employees will welcome new technology and work methods, not fear them. If employees get used to performing single tasks over many years, they will not be able to respond when technical disruptions impact their employment status. They must continually understand that their jobs will eventually become obsolete.

The Stakeholder Capitalism Metric is just one metrics program for companies presented by Schwab. Here is another: the United Nations Intergovernmental Panel on Climate Change (IPCC). This is a panel that provides scientific evidence on the issues of climate change caused by humans. Just taking a single report example, notice how this reporting makes transparent the progress being made globally, nationally, regionally and by city. The report issues are:

1. Consumption patterns, human behavior and greenhouse gas emissions, including economic, psychological, sociological and cultural aspects.
2. Policies, agreements and instruments at the international, national and subnational levels, including those at the city level.
3. Technology innovation, transfer and deployment.
4. Financial aspects of response options.

Where Open Organization Principles come in

Corporations and other organizations can leverage the five parts of an Open Organization to make a greater impact:

Transparency: For example, how are they performing right now on the company's greenhouse gas emissions in tons of carbon dioxide (tCO₂e) which is right out of the Stakeholder Capitalism Metric? Is it on target to reach its declared goal? A problem, well stated and presented, is a problem half solved. That is why transparency is so important.

Community: Who is in charge of leading this goal? Has he/she formed a team, group, community to address community impact issues?

Collaboration: Have the members of the team collaborated on their successes or shortcomings to date?

Inclusivity: Have they learned of needed resources and/or talent that is lacking and gone out and included others that are needed?

Adaptability: After learning their targets are not being achieved, have they adapted and modified their activities to get back on track?

When it comes to global issues, not only governments and nonprofit organizations, but corporations must play a role, and they can develop Open Organization communities to work on them. I recommend Schwab's book for guidelines on how that can be done.

Becoming a more socially responsible organization

How corporations can adjust their mindset toward attacking poverty, pollution, cybercrime and other worldwide issues and do it profitably.

There is a growing employee motivation problem within large, multinational corporations. Just look at their high turnover. One of the issues is a lack of greater global purpose and aspirations over heartless profit maximization.

I just read the book *The Intrepreneur: Confessions of a Corporate Insurgent* by Gib Bulloch. In his very personal book, Bulloch exposes this problem from within a very powerful consulting company, Accenture, a company created after the Arthur Anderson and Enron scandal.

I have also written about the importance and need of multinational corporations moving more toward the global good with Globalization and industrial revolutions and away from mere profit maximization in my articles. There is another reason why they should take global responsibility more seriously: more of their own employees are demanding

it and will leave the corporation if they don't feel good about contributing to the greater global society, particularly in developing countries.

We should look at the desires of managers and employees - not just investors and board members - to develop sustainable company projects. I would argue that board members should not only represent shareholders; employees, customers, the environment, and other outside stakeholders must also be fully represented or respected.

Drawing on experience

The Intreprenuer is about very personal events of Gib Bulloch's experiences within Accenture and how he suffered from a lack of purpose, as he only put his attention toward client profit maximization. To write the book, Bulloch looked for others who were also suffering in terms of professional purpose. While writing it, Bulloch was supported by Business Fights Poverty, which looks at the issues that he was struggling with in his career. They argue that there is a strong, profitable business model that addresses worldwide concerns.

Multinational corporations could be an enormous force for good in the world but are not putting in the required effort or applying enough attention to it. They should be working alongside governments, aid agencies, and civil society to solve global problems.

Bulloch argues for an agreed-on vision for the future, like the UN Sustainable Development Goals (SDGs). There must be a shared roadmap which will lead to a more inclusive and sustainable future. In 2017, the UN listed the investments required, including business's role in their Better Business Better World report. (SDGs & business opportunities). To support upward career mobility, Bulloch identified the organization Generation which teaches basic entry-level skills.

Imagining possible futures

I wonder if the Business and Sustainable Development Commission might work with people within companies that want to promote sustainable development? Supported by this commission, could employees collaborate with them to develop a company strategy?

People in large corporations could be part of the secret to making corporations more sustainable and socially responsible. Employees are stakeholders too - they don't just seek personal financial reward, but are more and more needing a sense of global contribution. This is particularly true among young people concerned about the planet and environments, poverty, and humanitarian issues. They want to know their employers are net supporters in creating a better world and a healthier planet.

Over half of the largest economies in the world are global businesses. Multinationals have emerged as the new

superstates which span arbitrary geographic borders or sociopolitical boundaries. With that thought, these businesses could develop common sense solutions to problems that cannot be solved at the national level.

To do that, Bulloch thinks this issue is growing among managers and employees. Maximizing profit must take a more balanced position and not dominate. That is why Corporate Social Responsibility (CSR) initiatives now exist. But mere initiatives are not enough. Leaders must motivate the hearts and minds of people by fostering the right working environment.

One of the problems is that - for a truly unselfish person - focusing on return on investment, profits and wealth creation is toxic. On the other hand, a true capitalist considers donations a complete waste.

There has to be an ideal middle between these two extremes. This is an area that should be explored, discovered, exposed, illustrated and addressed. We have to find a way to attract private investment, capital, innovation and entrepreneurship into providing public goods and solving these big social problems. We have to reframe “social problems” as long-term “business opportunities.”

Possible solutions

According to Bulloch, the UN Sustainable Development Goals provide good guidelines for corporations to expose massive untapped commercial opportunities for them.

Employees and social *Intrapreneurs* are most likely to collectively multiply en masse, which will get in-corporation responsible-sustainable projects off the ground. This may come from the masses of disengaged employees that are longing for career purpose, especially today's Millennial employees. They are super-connected and will be in the ideal position to champion these socially beneficial causes.

Consider where most of the world's children are born. They are in countries like Nigeria, Indonesia and India. How can that be looked at through a business lens in child development, healthcare, education, and skills development? The Brookings Institute estimates that investing just (US)\$1 in an Indian child at birth would be worth (US)\$54 when they enter the workplace. So it may not be a surprise to see terms like "impact investing" and innovative financing instruments like Social Impact Bonds being explored and introduced. They are paid only after results in projects are confirmed, like child level of literacy or arithmetic at a given age.

Employee mental health within multinational corporations

According to Bulloch, Accenture and its consulting competitors such as PwC, Deloitte, EY, and IBM can potentially play a massive role in harnessing the latent power of business for good. Within those companies, one in four employees experience some kind of mental health issue in their lifetime, which is directly connected to their desire

for professional global purpose. These mental health issues should be talked about and exposed. Through that transparency, social good projects could develop. Sam Knuth, one of our Open Organization Ambassadors, has written about employee mental health and how this problem may provide a major solution, which is pride in company purpose.

Building a non-threatening initial internal projection

As Bulloch was struggling to find career purpose in his consulting work in Accenture, he knew that just maximizing client profits was not rewarding enough. He needed something greater. So, he developed the Accenture Development Partnerships (ADP) within the organization.

What Bulloch wanted to do with ADP was build a “corporate social enterprise” internal business unit within Accenture to plant the seed of corporate purpose which an employee could be proud of and get excited about. Imagine a group that its members are so proud of because of their contribution to the global good, that they would be willing to take a pay cut and volunteer extra hours to be in. Those goals were to offer Accenture’s skills and talent to places in the world that could not afford their services but needed them the most.

The group was to offer these skills on a not-for-profit, yet not-for-loss basis. Financially, their goal was to break even only and provide as much expertise as possible. All their

attention was to be in underserved areas in fields like education, water and sanitation and humanitarian relief, the problems that plague the poorest parts of the world. Incidentally, I had that same sense of pride when I was giving sales seminars in developing countries, particularly in Africa.

Employees seeking pride in achievements

Here is the issue: How many people will redirect their career from the respect and luxury of the professional fast lane to a poorly respected not-for-profit project within the poorest counties and hardest living conditions in the world?

That is the challenge these multinational corporation internal employees are struggling with. They are thinking of doing something that is right and globally important against something that is profitable, prestigious and glamorous. Externally, they see success. Internally, they feel empty and unsatisfied.

In *The Intreprenuer*, Bulloch explains how he felt he was just making very rich people richer and not even looking at the massive needs of others. This issue drove him into a mental institution, as he thought that just a fraction of the workforce would consider such projects he proposed.

We all have to ask simple questions. Do you feel proud that you are achieving something important? Is your company exciting and energizing you, or frustrating and exhausting you when looking at their activities and attitudes?

Maximizing profits vs. emotional rewards

Most publicly traded large corporations have powerful pressure to strictly maximize shareholder value. Even famous university professors for decades - like Michael Porter, a Harvard Professor - claimed that shareholder value is far more important than every other possible consideration for business success.

Now, with too many global issues that must be collectively addressed, people are starting to change that belief in shareholder dominance with a better balance to include the needs of the greater society and planet.

Balancing values

Finding balance can be difficult. For example, in the past the fossil fuel industry was praised, yet teachers, nurses and many other professions were undervalued and disrespected.

And if change is required, such as moving away from burning fossil fuels, we may see resistance to it.

I faced this pushback when promoting worldwide vehicle sales training. It took me over five years to overcome that resistance. First, we started sales seminars in many non-threatening small, unimportant markets. I slowly developed my sales seminar reputation, moving to larger, more important markets. Those earlier seminars provide visible illustrations, testimonial, case examples and concrete empirical data that supported the value of this activity

throughout the company. Before that, nothing was persuasive.

Along similar lines, Bulloch believes that management consultancy - very broad across a wide range of industries, regions and specialties - is ideal to push for a more balanced approach toward wide-ranging stakeholder value and respect.

Government support for business staff doing global volunteer work

Some government agencies recognize this lack of purpose within corporate professionals and encourage staff to postpone their corporate career and do volunteer work in countries that really need their expertise. In the UK, VSO (similar to the Peace Corps in the US), offers a six to twelve month program just like that. This is just one way that those employees can find purpose in their lives, not to mention provide their skills where there will be the greatest impact.

Instead of striving to make a fortune, these opportunities give these people a chance to make a difference, whether it is working as accountants, project managers, business professionals, or business strategy consultants (like Bulloch). Different VSO centers work on education issues, health concerns and basic livelihood matters, mostly in Africa and South Asia. They work with local non-profit partners or rural government entities. Those partners provide basic

living expenses and accommodations during their time of service.

Along with the above benefits, as a way to reduce turnover of quality employees and improve work satisfaction, all major corporations should promote similar types of activities to their personnel to foster employee pride and satisfaction.

These activities can provide upward mobility to youth with no education, no job, no money and no hope - which could lead to grievance issues and be taken advantage of by extremist groups.

Company's role envisioned

How might a corporation go beyond just dispatching a butch of volunteers to get involved in VSO projects, but look at company capabilities on an industrial scale and redirect them to the parts of the world with the greatest need?

For this to be successful in consulting, Bulloch recommends two things: Companies must reduce their overhead to make this cost-effective, and employees must be willing to reduce their compensation for the greater good. Then, great progress in consulting could be scalable in the poorest regions of the world. What Bulloch did was create a mission- and purpose-driven non-profit business unit within Accenture (a group dedicated to corporate social responsibility).

To be feasible, the business unit had to answer three basic questions:

1. Is there a market and need for the services they offer?
2. Would offering the services be economically viable?
3. Would enough employees in the company be interested in its mission?

Business opportunities by addressing social problems

Most social problems have business solutions, but this takes a great deal of both technical and market-needs studies. Putting in the effort and adjusting goals toward not-for-profit, not-for-loss or limited-profit, could better direct employees' attention toward greater personal purpose.

Bulloch believed a different business model had to be created where the personal emotional value of purpose was put on par with profit.

Working with partners

In one of Bulloch's projects, they worked with CARE, one of the largest international development charities, to create a new development strategy for their operation in Vietnam. Another partner was the British government's aid arm, DFID, to design Humanitarian Information Centers offering technology-enabled aid coordination in emergencies.

All the above lead to the creation of the Accenture Development Partnerships in 2003, but they still had to fight

a deep mistrust between for-profit and non-profit activities when it came to directing resources.

Performance standards for social needs

Performance metrics have to change, if a company wants to be more socially responsible. Factors like sales, profit margin or cost reduction had to also include communities served, problems solved, poverty reduction, climate improvements, energy consumption reduced, air quality improvement, etc. To reflect this, new words were created like sustainable business, inclusive business or responsible business and are starting to appear. Michael Porter, whom I mentioned above, started using the title “Shared Value” (with all society) as opposed to “Shareholder Value”.

If a company starts measuring these “Shared Values”, it can separate itself from its competitors. For example, Oxfam wanted to partner with Unilever to get more smallholder farmers in Tanzanian into their supply chain of vegetables, better finance expertise, and improved business planning and quality control. That separated Unilever from others.

The value of corporate global responsibility

How employees in multinational corporations can develop a sense of purpose and mission while leading their organization toward greater global social responsibility.

In order to break down both company and local resistance, the value of serving society must be visually and vividly presented exactly where the greatest impact is locally felt and the PR benefit to the company. That value has to be shared, amplified, standardized, systemized and spread. Then, the reward of purpose and service can be massively accepted.

For example, working side-by-side with local frontline partners helps to learn their concerns, customs, cultures and resistance when looking at appropriate technology, supply chain concerns and strategy. It is applying new technologies and business thinking to old development problems in healthcare, clean water availability, education and poverty. An example is Kenya, where now 80% of all money flows through mobile phones, something that didn't exist several years ago.

Another example is just exposing a local problem like indoor air pollution, which is the fourth-biggest killer worldwide through respiratory diseases. This could get a 100% home electrification project started in an easy and inexpensive way.

Attacking corporate resistance

These examples are not just throwing money at problems, but exploring what can be done locally, what positive acceptance or negative resistance there is and then come up with solution concepts. They could utilize e-learning capabilities for training doctors, nurses or teachers, use smartphone technology for fund transactions, personal identity creations/confirmation and insurance services.

Another way to counter local resistance is to partner with universities, business schools and other education organizations for recruitment purposes. Young people could be particularly attracted to socially responsible companies.

This concept of large corporation employees seeking purpose is growing, and support groups are forming. For those employees looking for more global responsibility but lack support from their employers, organizations like the League of Intrapreneurs can help. They can create movements within their organizations by connecting people from within industries and across sectors. What they are doing is fighting a “corporate immune system” with a rigid

company culture. To fight this, an employee will need much support.

Resources to motivate employees

Looking at the growing mental health issues and high turnover in multinational corporations, personnel departments are looking for solutions. The pride of corporate efforts to address social and environmental issues might be one way to attack these personnel problems. Here are some sources that might be helpful:

1. Transparency International is trying to improve trust in corporations.
2. I mentioned them above, but League of Intrapreneurs could help when a company is looking for cultural change.
3. For clarity of exactly who are your purpose driven, ideological employees, watch the video about What is Intrapreneurship?
4. If you are particularly interested in global developing world education, the article Investment in Global Education - A Strategic Imperative for Business can help.
5. If you are just starting your career toward global responsibility and wonder if you are on the right path, talk with the Circle of Young Intrapreneurs.
6. If you want to be in a group to explore careers with social value, look into the Intrapreneur Lab or Impactt.

7. If you are an employee who wants to direct your effort toward poverty, contact Business Fights Poverty.
8. For burned out employees looking for peace of mind, consider a course from Thrive Global.

The Fourth Sector

The First Sector is profit-making corporations. The Second Sector is governments. The Third Sector is philanthropic organizations. The book *The Intrepreneur: Confessions of a Corporate Insurgent* by Gib Bulloch talks about a blend of all of them, the Fourth Sector: profit supported, taxes supported, and donations supported.

Consider how the UN would be operated if it was run by Jeff Bezos as Secretary General. How could it be thought of as a business development consulting company? How could an important global cause be approached from a business knowledge, investment, banking and accountancy perspective? These are the questions Bulloch asks in his book.

The first thing to think of is organizational purpose around people, planet and profits, which are becoming blurred between governments, civil society, philanthropy and for-profit corporations. Corporations, with new technology platforms and innovative financing strategies, are now taking a look at the UN Sustainable Development Goals. These are 17 broad goals with 169 targets and 304 indicators

for each target to measure for compliance in health, education, poverty and peace.

If that doesn't confuse you, imagine each working independent of each other, and there is no connection between them. To achieve something, you have to prioritize and decide on just one as the primary goal at the moment and make a business plan around it.

Considering the above, Bulloch thinks there has to be a better way to harness the power of the market and channel that toward the public good. Looking at the UN, World Bank and other huge NGOs, it is not that they don't have desire and purpose. Their problem is their ability to execute, particularly when you compare the ability to execute by major corporations.

One tool is to bring in both *purpose for global and social good* and *income generation, profits, and return on investment*. Ask for and provide financing that only funds the most underserved, neediest people but explore long-term returns on those funds. These are sometimes called "social impact bonds." The funds can be rated on detailed results, like the percentage improvement of taking a child from birth to a healthy, educated, economically productive citizen twenty years in the future.

'Hybrid' organizations as the Fourth Sector

What is needed is an organization that, in its charter, is tasked with solving social problems up front and working

strictly in the private sector to achieve that. It blends the best capabilities regarding (1) present and newly developed technologies in businesses, (2) approaches, knowhow and support from government, and (3) volunteer work and donations through NGOs.

To develop this Fourth Sector, social impact bonds that attract private investment, entrepreneurship and technical innovation toward essentially public goods would be one very important method. This could turn a social problem into a business opportunity. This investment could lead to giving talks to international development charities, but with return on investment, not straight donations, in mind.

In addition to the above, it might be an idea to look at retiring executives that want to give back and offer the needed skills they developed over their careers. For many of them, being helpful is far more important than direct financial reward. They could provide services at little cost to a government or non-profit company.

At the opposite extreme, mid-executives that see that the current methods of doing business will not generate prosperity in the developing world could be attracted to this fourth sector concept.

Example of Kenya's poverty

Bulloch asked to consider who has had the biggest impact on poverty in Kenya over the past five years: the United Nations, a series of NGOs or Vodafone?

The first two are directly involved in poverty issues, but Vodafone is not. In spite of that, Vodafone's partnering with local private sector organizations *drove up banking service availability* and *raised e-learning to advanced levels* while reducing costs to a fraction of what it was in the past. This generated the training of thousands of nurses faster and cheaper than any standard classrooms could. It was a Vodafone spin-off, Safaricom, that made all the difference through its mobile network. The difference was that Vodafone had valued technology that the other two did not. We have to find a way to spread corporation's technology and know-how to where it is greatly needed.

The Kenya case started with mobile connections, personal communications, identity creation and credit standings and digital fund transfers. Then, that determined where electricity was needed. From that understanding, the need for the appropriate solar electricity generation and distribution was decided. More electricity distribution leads to longer hours of educational instruction, studying and learning. Education of healthy workers created a stronger and more skilled labor force.

Seeing all these successes, the whole system can become a role model for other regions, countries and rural communities. Also, the beauty is, the more this process is replicated, the less risky and costly the investments are, the faster there will be returns on their investments.

The above resulted in business consultants going to local communities and seeing what they are doing now. Within

each consultants' expertise, viable solutions were developed, collaborated on locally, and developed with local partners. The same team jointly executed the project and then maintained and improved on it afterward.

A movie to scale corporate social responsibility

If you can envision it, you can make it happen. This "movie concept" shows how organizations can be socially responsible.

In the movies, multinational corporations don't have an image of being heroes. They are usually the cold money addicted bad guys. So, how could you visualize the transition of a *financially craved corporation* to a *socially responsible organization* that positively contributes to the world by, for example, reducing the burning of fossil fuels, eliminating poverty, or expanding remote child learning worldwide?

The book *The Intreprenuer: Confessions of a Corporate Insurgent* by Gib Bulloch gives a suggestion to make a dramatized movie with all its twists, plots, setbacks, villains, heroes, shocks and rescues that illustrate the transition of a corporation for global good. It starts with one powerless but idyllic, ambition driven employee that explores a worldwide business strategy for global good.

Bulloch takes on huge, powerful global corporation resistance. He uses the strategy of identifying supporters,

enemies and those with no particular opinion to determine his support team. Bulloch thinks doing good globally will win over the employees' hearts and minds, including using crowdsource funding.

Let me play with this movie scenario concept a little and call our hero "Bob Prosperity," a middle executive in a global publicly traded corporation: Bob wants to take on his multinational corporation's resistance to becoming more globally responsible. He uses a strategy of identifying strong colleague supporters, learning of enemies, and determining those with no particular desire to support or object to his team's efforts. Bob thinks that doing good globally will win over passive employees' hearts and minds. Also, he believes he will get a lot of crowdsource funding support and the company need not invest much.

Movie Act 1: Initial company working environment

The movie presents a toxic environment throughout the company which is short-term profit driven only. Employees are very competitive for promotions and uncooperative with each other.

This working environment has created mental health problems, high turnover, high absentee, many work accidents and low trust levels company-wide. Even at the board level, no one cares about environmental damage or anything outside of company profitability. All this makes Bob mentally stressed.

Movie Act 2: Concept introduction stage

Bob wants to overcome his shame, discomfort, and emotional stress, and starts to crave a greater purpose for his life and career. So he studies the UN Sustainable Development Goals. To find where he could make the greatest impact globally, he also reviews the Human Development Index (HDI).

After much study, Bob proposes a research project to study viable activities that offer greater corporate social responsibility to a board director and gets a small budget to study the concept, because this board director is getting pressure from the shareholders regarding the company's toxic working environment. The director thinks the company has to rethink its global responsibilities, and explore where it should invest and innovate for the years and decades ahead to improve company pride, maintain profitability and create a happier working environment.

Movie Act 3: Exploration to generate a sense of corporate pride (year 1)

Most of the top management hate Bob's global responsibility ideas, as they think it is wasteful and counter to a profit-making corporation. But with a very small budget, he starts non-threatening studies regarding the concerns of local communities, suppliers, employees, mid-managers, bankers, government officers, labor union representatives, charities,

NGOs, researchers, scientists, university professors and others, to learn what should be done.

When Bob explains these activities to business colleagues within the company, most think these activities are too idealistic, considering promotions, profits and sales far more important. But Bob finds a few people who share his desires, goals, and concerns. They also have a strong need to work on projects that they would be proud of.

Movie Act 4: Project proposal (years 2-3)

After much study, Bob proposes to that director of the board to place all efforts on *global carbon-free energy generation and conservation* initially as a pilot, low budget project. The initial goal is to profitably bring clean electricity to every home in a specific town and to use their energy wisely, particularly somewhere in Africa or South Asia, where it is most lacking. That project should profitably impact the human development dimensions identified by HDI—namely, a longer and healthier life for citizens, better education for children and a decent standard of living for those in developing countries.

Movie Act 5: Pilot project (years 4-5)

To keep in-company resistance down, they decided to keep the budget minuscule and targeted hitting the breakeven point after only one year (instead of the three to five years norm). As the company had an office in Accra, Ghana, they

chose that English-speaking country as their pilot test-case project location. They decided to offer low-cost, clean electricity to all residential homes through locally assembled solar power generation systems, battery storage and battery recharging stations. The electricity fees to the user had to be below all existing sources of energy.

They chose Kumasi, Ghana, as they could partner with local leaders there. The city has agriculture like cocoa and manufacturing in textiles, clothing and furniture. In addition to that, it has a gold mining history and is a major commercial trading hub, including exports. With all those economic activities, the city has a growing education and healthcare sector.

The team sets up a microfinance system from multiple development sources as well as cloud sources like Kiva investors that believe in getting rid of fossil fuel burning in all developing countries.

To ensure lighting for evening study and education for children, they first targeted electrical lighting for families with small children, so they will have extra evening study time. Another project was to provide mobile electrical lighting to home visit healthcare providers to make visits as productive as possible.

For homes located outside the electrical grid, they offered inexpensive batteries and convenient charging stations, which could be funded by microfinance worldwide. Lastly, they demanded that all indoor fossil fuel burning gradually

stop, and electrical systems installed to reduce indoor air pollution which causes disease in young children.

Movie Act 6: Pilot project goals (years 6-10)

To keep in-company and local resistance down, within ten years they started tracking human-centric results regarding *longer and healthier lives, improved education*, particularly among girls and *improved economic standard of living*.

It turned out to be an overwhelming success with government, development financing, philanthropic support. On top of that, they hit their breakeven point on schedule, and it cost the multinational corporation nothing after a year and a half, particularly after employees who requested to be transferred to this project and work locally in Kumasi agreed to take a decrease in salary.

This gave the company and all direct stakeholders a great public relations boost. Employee morale skyrocketed, and the working environment became far more pleasant.

This positive outcome resulted in duplicating the project in other villages throughout Ghana. On top of that, employee requests to take a cut in pay and work on these projects increased fivefold, some even saying they would leave the company if they couldn't work on a socially responsible, greater global good project.

This led to a wide range of clean energy source development, including wind farms, marine nuclear power

vessels, geothermal projects, energy saving building development projects, just to name a few. In this hypothetical movie, projects spread to all developing countries worldwide.

From movie pitch to reality

What Bulloch suggested in his book is to take success stories like this to a company like The Skoll Foundation who invests in movies with a positive theme. The Skoll Foundation invests in social entrepreneurs and innovators for solutions to the world's most pressing problems. Through its production company called Participant Media which creates films that inspire social change, it must make movies so exciting, thrilling and entertaining that the broader socially concerned investing public will be greatly drawn to it on a massive scale. Further, for corporations, it must weaken the sole desire for profits and strengthen the desire for social responsibility, so that it makes them proud. Therefore, what about a corporation transitioning to a global good movie story?

With the above thoughts, I hope that multinational corporations take a leadership role in attacking problems like global poverty, pollution including sanitation and fresh water availability, fossil fuel burning reduction, spreading education availability, healthcare availability, just to name a few.

As now, this responsibility should not totally fall on the backs of governments or charities. Corporate involvement has to be so powerful that not just employees, but customers, students and normal citizens are inspired to invest their time and resources into the movement, as it not only is socially good, but makes business sense as well. Some of the biggest developing world and industrialized world's challenges could in fact be huge business opportunities in disguise.

The corporation board of stakeholders

Companies with stakeholder boards maximize positive society impact over maximum company profits.

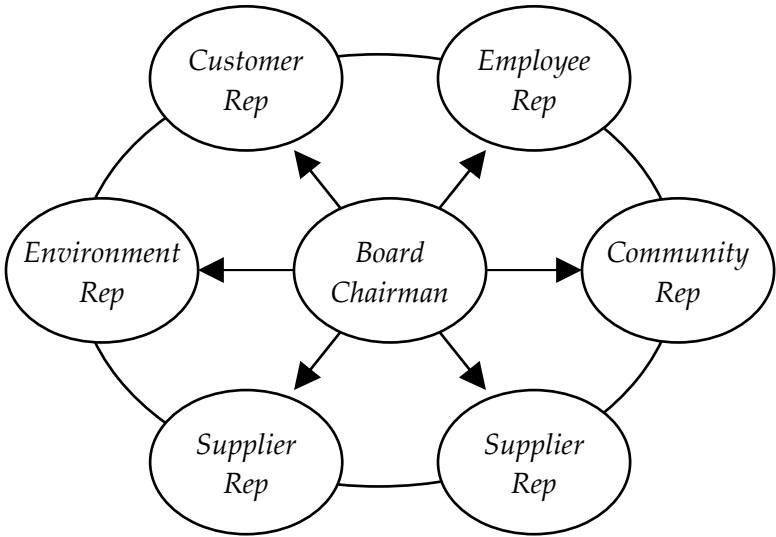
To conclude a series of articles I have written on stakeholders, I would like to offer a suggestion. The ideas partly came to me while reading the book, *Conscious Capitalism* by John Mackey and Raj Sisodia. They define categories of stakeholders and start with this statement: “Capitalism, done consciously, is the most powerful system for uplifting humankind to unimaginable levels of prosperity, peace, and happiness.” It is performed by “value-based and purpose-driven” capitalism. They believe that top management must be dedicated to their cause.

Fitting in nicely with the Open Organization Principles of Transparency, Inclusivity, Adaptability, Collaboration and Community, I wanted to add my suggestion to put top management to the stakeholder test.

Stakeholder Commitment

First, confirm stakeholder commitment to that cause. We hear a lot about being accountable these days, but who is managing (or supervising) that accountability to the stakeholders? Many companies have full-time compliance officers, but do they all collaborate with each other and support each other?

To find out if a company is really committed to their stakeholders, ask this question to find out: Does the company have a “Stakeholder” board, as in the title of this article? For example, notice the below example:



Led by Chairman of the Stakeholder Board (written into the company charter) [image: Ron McFarland]

Companies with stakeholder boards might be part of what is called B (benefit) Corporations. They maximize positive society impact over maximum company profits.

If it has a board, who is in charge of each stakeholder, and what is the budget for each? What are the stakeholder achievement measurements?

If there isn't a *single* stakeholder group, ask how the stakeholder representatives collaborate with and support each other.

If there is no stakeholder representation *at all*, then the company is more than likely only concerned with its own profitability and nothing else. They only talk about stakeholders as an idea, but have no execution plan.

Stakeholder representation role

For more detail, each of the six represents an entire group's concerns. These are full-time positions, paid from allotting 1% of net profits annually - similar to the 1% of profits that go to the Google Foundation each year from Google's net profits. These stakeholders have the drive to make a positive global impact and still be profitable. This role to serve stakeholders is explained and presented in a written agreement in which the representative candidate signs.

Stakeholder Board position and categories

The Stakeholder Board is written right in the company charter and is provided a yearly budget for customer relations, employee relations, environment relations, supplier relations, community relations and investor relations. This group is to decide the company's purpose and create a success strategy for all of them.

In their book, Mackey and Sisodia say other representatives should be included to determine their company purpose, including: senior company leaders, board members, team members, customers, investors, suppliers, and members of the community. They recommend this group sets company goals, targets, indicators and measurements. To ensure that everyone knows what is to be achieved, it could be detailed similar to the Sustainable Development Goals (SDGs) - but on a company basis. I would recommend a chairman and only six representatives to make the proposal easier to execute.

All stakeholders on this board must share two desires:

Desire to serve others - They must have a strong desire to serve those they represent and enjoy seeing the success of others. These people have strong empathy for others and want them to prosper.

Desire to be respected - They have a desire to be respected and to benefit from what they have offered all stakeholders, which compels them and others to serve each other.

Board member descriptions

Let me define more clearly the roles of each of these stakeholder board members, including one person heading the board:

1. Board Chairman's Role & Responsibilities

The chairman reports to company management. He understands and is qualified to evaluate the entire organization's ecosystem, including the supply chain, its impact on the environment and its impact on the surrounding community. He must know the relationships between all stakeholders and how they impact on the greater social and natural environment.

As chairman, he holds quarterly meetings and makes sure all representatives' perspectives are presented, appreciated and heard. Their concerns are all exposed, evaluated and acted on if adjustments need to be made. He also makes sure all the representatives talk to each other to *collaborate*, discuss and come up with ways each can be further helpful to each other. If there are conflicts between stakeholders, he helps resolve them. This person is probably a professional or consultant in stakeholder management.

He helps the board develop stakeholder measurable targets and doable performance standards. Each representative is responsible for evaluating those targets and standards. Then, the members report their results at the quarterly board meetings.

He prepares a document of all stakeholder's interdependent performance, their impact on each other and all stakeholder board satisfaction levels yearly to company management. Based on that report, he recommends stakeholder representative activities and goals for the next year and asks for the estimated budget required.

2. Customer Representative's Role & Responsibilities

Is the market being served to its satisfaction? What could be made available that is not? An employee representative should be able to answer that question.

This representative is probably a customer satisfaction consultant or someone who fully knows the markets the company serves. He must desire the success of the company and customer satisfaction. He asks how the employees, environmental improvements, investors, suppliers and community members can improve customer service. If this representative can find things that the customer doesn't even know about but could joyfully use, great satisfaction can be created, to the level of testimonials to others.

This representative's job is to learn the feelings of the customers, particularly major customers, and look where customer-company relationships can be improved. He must do that while listening to and respecting all other stakeholder representative's positions.

3. Employee Representative's Role & Responsibilities

The employees must be motivated and proud of the company they work for. Also, they must feel they are rewarded when the company does well and are willing to take cuts if it will keep the company in business. Therefore, this representative should speak for the concerns of all workers, including people in management, as they are also employees.

Are managers getting huge bonuses but the frontline staff getting laid off? This employee representative should answer that question and resolve any concerns. This person is probably a professional or consultant in personnel management and knows how to motivate workers, including managers, on stakeholder value and company purpose.

This representative must desire employee satisfaction as well as company success. He could *collaborate with other stakeholders* by asking how environmental improvements, investors, suppliers and community members can improve employee working conditions. If the employees, particularly long service employees, *think their compensation is fair and reasonable, and can work in an environment which provides a way to learn and develop, and have autonomy in how they can excel in their work and can work on assignments they consider valuable to society*, they will be so motivated that they will represent the company well to other stakeholders.

This representative's job is to evaluate compensation fairness - whether salaried or commissioned, hourly or monthly, high ranking or junior staff. Does everyone feel this is appropriate? Are improvements needed? He must answer these questions, while listening to and respecting all other stakeholders.

4. Supplier Representative's Role & Responsibilities

Are the suppliers treated fairly by the company? Do they do joint research with the company?

This representative must desire the success of the company and all suppliers. He could collaborate with other stakeholders by asking how the customers, employees, environmental improvements, investors and community members can improve supplier's concerns. Is innovative, joint development possible? By sharing information about their customers to suppliers, does the company collaborate with key suppliers to offer products for the future?

The supplier representative evaluates how trusted and closely all who provide service or goods to the company feel about the company and its purpose. He looks at how well the company's purpose and the major supplier's purpose match each other. The representative must do that while listening to and respecting all other stakeholder representative's positions.

5. Community Representative's Role & Responsibilities

Is the neighborhood happy that the company is in the community? If yes, why? If no, why not? What should the company be doing in the community?

This representative must desire a good relationship with the neighboring areas and indirect communities like all the surrounding schools, hospitals, community centers, chamber of commerce, Rotary and Lions clubs, shopping areas, parks, etc. He could collaborate with other stakeholders by asking how the customers, employees, environmental improvements, investors and suppliers can improve the local community.

The community representative evaluates how closely the neighborhood and surrounding areas connect to the purpose of the company. He tries to find the needs of the major community and how the company can help address those issues, as he wants the community and employee family members to prosper in their community.

Are all stakeholders proud of what the company is doing for the community? Does it raise their morale, or are they ashamed of how the company impacts on the community? Does the company have a charitable foundation for community improvement projects that all stakeholders are proud of? This representative is to make sure all stakeholders know that the company is donating to society. Also, he could ask all stakeholders to support company volunteer activities.

When there is a crisis in the community, does the company get involved? Does it provide support where it can? Also, do company decisions adversely influence the local community and does the company take that influence into consideration? This representative must make that impact as visible as possible, so the company will act appropriately to best serve the community as well as themselves.

6. Environment Representative's Role & Responsibilities

This representative must speak for the environment which is impacted by the company directly first. Also, this person addresses any indirect impact the company has generally on global climate issues.

Is the company improving the environment by its activities? Or, is it harming the environment and indirectly the overall planet? Is the company transitioning to clean carbon-free energy sources? Does the company have active waste and resource/energy use reduction, reuse or recycling programs to protect the environment that people would be proud of? These activities could be both cost saving for the company, and improving the environment?

This representative is probably a professional or consultant on environmental issues and material waste reduction procedures, and has studied the impact companies have on the environment. He might have worked with suppliers regarding material waste. Furthermore, he must desire the success of the company, as well as protecting the

environment directly and indirectly. Moreover, he could collaborate with other stakeholders by asking how the employees, customers, investors, suppliers and community members can participate in addressing environmental concerns.

The environmental representative evaluates how the company impacts on the direct and indirect natural environment. He studies any of the company's major waste discharges, nearby pollution, fossil fuel use, greenhouse gas emissions, work safety, environmental compliance, and wasteful material utilization.

Are all stakeholders proud of what the company is doing toward the environment, or ashamed of what they are doing? He finds out and reports his findings to the Stakeholder Board, offers recommendations and works on action plans if need be.

7. Investor Representative's Role & Responsibilities

As they are paid last among all stakeholders, investors will ask if the company is investing in worthwhile and sustainable projects. Are they proud of what their investments are achieving? Is the company kept viable to invest in the future? A company is like the human body. It needs food, but a person doesn't live just to eat. The goals of his life are different. To have a prosperous future, companies need profits, but that should not be their main goal. What they do is, and those activities should result in profits.

This person is on the Board of Directors and reports to them. His main assignment is to convince all Board of Directors, including the Chairman of the Board, that the culture of the company believes that all other stakeholders have as much or more importance than just profits. With that value balance, profits might even be greater than if shareholder value was most important.

He believes that stockholders that don't believe in the company's purpose should not invest in the company. He believes that far more investors that believe in what the company wants to achieve will be attracted to invest. The investor representative believes that profits are not a goal. They are only the result of successfully achieving the purpose of the organization. If the attention is placed on the company purpose, interestingly, the profits in the long-term will most likely be higher than if all their attention was short-term profits.

The company purpose must be continually presented and updated, so investors fully know the organization's mission. No, short-term investors, who heavily rely on quick profit analyst suggestions, should be welcome. Analysts mostly study financial data and not company contribution to society. The representative evaluates how closely the major investors believe in the purpose of the company and tries to find ways to increase that belief. He must do that while listening to and respecting all other stakeholder representative's positions.

Stakeholder value generates profits

In their book, *Conscious Capitalism*, John Mackey and Raj Sisodia give many examples, case studies and research supporting the idea that by positively maximizing social and environmental impact, there will be higher profits.

One might think that if a company spent more money and energy on outside of company stakeholders - like customers, suppliers, environment or their community - the investors would suffer great losses. Yet according to many studies - such as those presented in another book, *Firms of Endearment, How world-class companies profit from Passion and Purpose* - that is not the case. Even the investors benefit, and that is why having a Board of Stakeholders is so important.

How does an organization leader get a project started where no organization exists?

With compatible values, all partners can better help each other.

How does an organization leader get members to follow him or her if no organization exists? In his mind, the leader starts with seeing problems or underserved markets as opportunities. Then, mentally he forms solution theories to address them. After that, he explores in his imagination solution scenarios in various situations and environments. From there, he starts collaborating with others who share the same concerns to envision how initial proposals might actually be realized. From that interaction, a project and its project leader are born. Let's look at the problems behind globalization and picture where the opportunities are.

Globalization has brought great benefits, but it has caused serious problems too, in security, supply line flexibility, as well as personal wealth inequality and regional inequality. This has shattered many local economies because of what is called "hyper-globalization."

As another example: I recently learned of new term, a "monotown." That is a city or town whose economy is dominated by a single industry or company. When that industry declines or the company closes, the community dies. So, how could a leader turn those concerns into opportunities and develop followers to take advantage of them?

Local community development

According to the book *Homecoming, The Path To Prosperity in a Post-Global World* by Rana Foroohar, due to long, global supply chain rigidity, leaders will likely guide companies away from the US coast toward mid-sized communities. One major reason is because of a greater need for adaptability in these rapidly changing times. The reason why is that a totally globalized, unchecked world is not working as well as it should. It doesn't protect the environment. It creates inequality in populations and regions. It is not improving global security or reducing risks.

For those reasons, governments - in particular, local governments - should promote closer supply-consumer relationships, and the best way to do that is through the promotion of local startups. A leader should notice which communities want to solve the challenges and are attracted to new opportunities.

Startups aren't generated by themselves, it takes leadership and a gathering of followers. In this case, that leader has to

explore how to shorten supply chains (from supplier to user) and broaden supply chains (more alternate choices available along the supply chain).

According to Foroohar, the global supply chain system has to shorten and come closer to the end user. This is not only for economic stability reasons but global security. In her book, she uses the terms "friend shoring" and "near shoring" as business strategies. It is important to do business with people you know and trust, people that share the same values and care about each other. Not knowing who you are buying from or selling to can be extremely risky.

Also, it can be extremely inhumane. Markets don't necessarily operate for the overall public good. There must be a "framework" that guides business flows. The invisible hand of market competition must be guided by the visible hand of the laws and values of society. Foroohar thinks we must try to create a new regional alliance around technology and trade that supports liberal democracy, human rights, and common standards. They should not depend on supplies (either physical or digital) from countries that don't share the same values.

Foroohar believes that through new technology and changing demographics, the global investment share of all investments will decline and the share of distributed local investments will grow. Supply chains will shorten in the years ahead in food supply, energy supply and services like remote design and medical services. We are leaving the era of "economic, rational investors" to the new era of a more

human-centered, place-based economy. Ideas and information will still flow across borders, as well as capital, but local supply will become more favorable in the years ahead to distant suppliers. If this is the case, local organization leaders should explore how these local investments will impact their communities.

What's needed is a greater focus not on global economic development, but more on development within countries and communities, location-centered economics. And that's where leaders can make a difference.

"B Corporations," which balance purpose and profit that I talked about in my article, "The corporation board of stakeholders," are investing based not merely on share price, but on "ESG," environments, social and governance factors through decentralized technologies. I think the top responsibility of an organization leader is to promote purpose first and profitability second, not the other way around.

Furthermore, the leader must bring the Open Organization Principle of adaptability into local communities. He must help the community work on a backup system to any just-in-time, global supply chain system. Not just economics is involved here. He should encourage communities to bring humanity back into economics, not just statistics and spreadsheets. That is a benefit that must be amplified and made more transparent.

Risk

Imagine a city with just one power plant, one airport, one fire department, one electricity delivery grid, one internet service provider and one supermarket that are all linked together into a single communications and supply network for maximum efficiency. This community is almost totally dependent on those suppliers. There must be independence or at least secondary alternative suppliers available to be fully adaptable or resilient. Leaders should expose this community vulnerability and build a team to make the community more stable through various startup opportunities.

Because adaptability is inherently inefficient when not used, it has been ignored under the concern for maximum efficiency. It is like having no security guards because they are not needed when the threat is not obvious and hard to forecast. For any opinion leader, convincing the community may be a real challenge, because adaptability involves redundancy, which some managers evaluate as waste, but it reduces shocks.

Tweaking for the ideal

An organization leader has to look at the cost of getting supplies and the reliability of sources. Considering cost and supply reliability, how can a supply chain be ideally diversified?

Notice the below four supply chains by supplier-user distance, which could be for services and skills (knowledge) as well, not just physical goods.

Transnational	National	Regional	Local
Raw materials	Raw materials	Raw materials	Raw materials
Finished goods	Finished goods	Finished goods	Finished goods
Transportation methods	Transportation methods	Transportation methods	Transportation methods
Services	Services	Services	Services
Number of sources	Number of sources	Number of sources	Number of sources

How would your company’s products and services be shared between these four groupings? Let’s look at an example. Notice the below regarding building supplies.

	Raw materials	Finished products	Transportation methods	Services	Number of sources
Transnational	0.5	0.3	2	0.2	3
National	0.2	0.4	2	0.2	5
Regional	0.1	0.2	2	0.3	5
Local	0.05	0.1	2	0.3	10

I just guessed in the above example, but what percentages would be appropriate for a given item for your company in your area? How could you improve adaptability if need be? As Foroohar recommends, for transnationally received items, we must consider "nearshoring" and "friend shoring" and avoid "long-distance shoring" and "adversary item dependence." Furthermore, single-source items and services

are less adaptable than one main source and several backup sources. There must be supply chains that are as short as possible (distance) and as broad as possible (many choices), while maintaining profitability. This provides the needed adaptability when unexpected shocks occur which the leader must shoot for.

No matter what, adaptability will cost more than the most efficient global supply system. The problem is that the least costly methods are not able to adapt to disruption and sudden changes and shortages occur.

How can a leader promote diverse startups by sector in the community?

Foroohar thinks that technology, agriculture, banking, and pharmaceutical business sectors will move from global massive corporations to more local small startups. Organization leaders should start exploring how their company's supply chains will change in the years ahead.

Let's take an example of a company that supplies food from the farm, directly to the consumer. In that industry there is a great deal of waste, starting from where it is grown to where it is actually consumed. Also, food mass-produced is not as nutritious as more locally, organically grown food, leading to food having too many calories but not enough vitamins and minerals that the body needs. This has led to more overweight people in the world than there are hungry people. In some regions, people are both overweight and

malnourished. So, just more calories is not what is needed. A leader could consider this a huge opportunity that a startup could address in the community.

Looking at the local food outlets a company supplies, there are supermarkets, restaurants, schools, and hospitals. Which could and should be supplied by local growers? To localize, Foroohar recommends starting with schools and high-end restaurants/groceries. The leader could do this by forming or approaching local cooperatives and staying away from outside suppliers. A cooperative is a form of community and the feeling at the local community level is different from global suppliers. Locally, human needs and benefits are very visible and appreciated by local suppliers. The leader could facilitate this connection.

To be more secure in food supply reliability, the leader could develop more direct information systems. Then, what food and nutrition that are lacking in the community can be better understood. Also, pricing could be better supervised. More information sharing across food supply chain silos can improve collaboration, transparency, inclusivity, community and adaptability, all five Open Organization principles.

The leader's goal is to make food healthier, less energy intensive, more local, and ultimately resilient to unexpected supply disruptions. He should build a team of people that think this goal is important.

For the leader to promote this idea, he can mention that by producing locally, almost all transportation costs are

eliminated. Also, the need for preservatives, fertilizers, chemicals, packaging, and all the carbon release that they will result in is reduced to a fraction of the current methods. Furthermore, the water and land required will be greatly slashed.

This might not eliminate traditional farming, but with the projections of global population growth being mainly in megacities, city food growing should be seriously studied by leaders in the food industry. For example, Plenty in South San Francisco is doing just that. Also, Argicool has figured out a way to grow fruits, vegetables, and herbs inside abandoned shipping containers.

"Local-for-local" supply chains, in which production and consumption are becoming more connected, save time, reduce logistics problems, bring down energy costs and improve supply chain stability and flexibility. On top of that, they are compatible with each other, creating a spinoff ecosystem of innovation because industrious, inspired leaders tend to cluster around each other. They know that one idea can spark completely different ideas, leading to cooperatives that spend more of their time collaborating with each other on customer issues, best practices, suppliers, distributors and consumers for the greater community good.

Innovations mostly happen near where there is production, and leaders should take advantage of that. If salespeople are a stone's throw away from line workers and management,

ideas come out. With their observing of each other, these people naturally start collaborating.

Startup innovation leadership and changing supply chains

Startups will increase in the future and leaders should see these as great opportunities.

In part one of this two-part article on leaders innovating to form startups partly based on the book *Homecoming, The Path To Prosperity in a Post-Global World* by Rana Foroohar, I discussed the importance and value of having both a short but broad supply chain, and gave a food supply chain example. In this last part, I will expand on it and explain the importance of leaders forming communities and teams that hold similar beliefs.

Similar values of developers, suppliers and users

In most cases, local communities share cultural values and desire the same local achievements. This all leads to job creation at the place of innovation, and the developers can feel that impact in their community.

The problem is that if the buyer, supplier and developer are in completely different places, human caring suffers as

organization leaders can't get these parties collaborating with each other. This is what you could call "hyperglobalized" where the faraway developer, far away supplier and far away user are overdependent on each other but don't care much about the well being of each other. The buyers and developers don't care how badly the workers of the suppliers are treated or how hazardous their work environments are. If the developers, suppliers and buyers are close to each other, they do care and can see and feel all supply chain members' concerns. Leaders can tap into that caring.

With those above concerns, Foroohar reports that McKinsey research shows that 26% of global goods will have to move to new countries over the next five years, as companies need to diversify suppliers, cut excess emissions of far-flung supply chains and get closer to end users.

Community currency

Imagine a person wants to expand local financial independence through a local currency (or even smartphone cryptocurrency) that is only circulated within its local neighborhood to promote local neighborly interaction. Digital currencies (peer-to-peer decentralized financial systems) could be created that are conditioned on being traded in that local neighborhood. After gathering community leaders that share in this idea, a task force could be formed to promote the idea.

Moving a little broader than the immediate vicinity, the task force could encourage governments to form local digital wallets, in which all citizens (including unbanked people) could participate. The task force could explain to governments that there will be less outside adverse influences, like inflation, outside credit restrictions or loaning discrimination. This local area currency could be used to provide banking services leading to a wide range of business models. The key issue is that everyone should know each other within the community, and the task force creates a trust confirming system that is put in place and enforced. Issues like repayment become more transparent and addressed quickly and collectively within the community.

The task forces and its leaders can even go further by promoting and starting "Helpmeet" activities in which people just contribute the skills, items, space and time they have on a barter basis with no money exchanged at all. These activities not only provide support but build community interaction as well. The task force could even work on an app for these local activities.

Fund creation and banking services

In other cases, communities are creating local funds from people with excess money they don't need (money sitting ideally in banks and not circulating). A fund organization leader could promote that they take that money, deposit it into their local support fund which is managed openly for all

depositors and borrowers to see, which leads to basic banking services. This could be far more efficient and human connected than outside, non-local borrowing who never know the final fund users or know what the funds are used for.

Example: Local manufacturing expansion

Consider that the 3D printing market grew by 21% from 2019-2020 and is predicted to double by 2026. More than just services, but manufacturing will be more localized as well and innovative people can take advantage of that for their communities. A lot of that growth will more than likely go to small manufacturers, some in rural areas.

An example is the printing (manufacturing) of anything from disaster shelters to luxury homes, which are not built from scratch on construction sites but by building housing components in manufacturing facilities and quickly assembled on the site. 3D printing of buildings requires shorter building time (in days as opposed to weeks or months), offers lower labor costs, and can use more environmentally friendly raw materials. Apis Cor and ICON can print small homes for \$10,000 (as of the date of the writing of Foroohar's *Homecoming, The Path to Prosperity in a Post-Global World*).

According to Foroohar, the cost of industrial 3D printers have fallen from around \$700,000 to \$50,000 over the last decade. Now, firms of all sizes can invest in them. This is

where innovative leaders can explore a wide range of locally needed items which now can be produced very closely to where they are put to use. Further, this innovative person can look at raw materials that are locally available. Here again, a project manager can bring developers, suppliers and users closer to each other to build a supportive community.

Connecting to local networks

Academic research shows that firms need to be embedded in networks of investors, suppliers, managers, workers and educational institutions (that teach basic equipment use skills required in many industries) to maximize innovation potential. These networks can build "high-tech hubs." They teach people how to communicate well, learn and expand skills quickly. If that is the case, organization leaders, looking for new ideas, should consider what hubs currently exist within their communities. Knowing that, he can work on his startup project team building.

Making these community projects work

If you want to build a local startup community, it is not IQ (cognitive meritocracy in our heads [knowledge]) that counts, but it gets all the praise. What is needed in these communities is EQ (emotional intelligence [our hearts]) and hands-on skills. The leader of this project must have both emotional intelligence and hands-on skills. With that talent,

he has to apply it within his team members in the community that share his values.

Unfortunately, our emotional intelligence and our hands-on skills don't get the respect they deserve, but that is what the jobs of the future in local communities will require, particularly in the caring professions. This includes traits like character, experience, common sense, grit and hands-on process and techniques. Professional qualifications and degrees may not be as helpful as one would think.

Foroohar believes that it is not large, private corporations that are needed but locally or regionally human focused leaders and networks that know each other very well and know how they can help each other from product development to production to delivery to marketing. More direct, closer suppliers can price compete with imports and better match user-needs. This is the network the leader has to develop.

According to Foroohar, global trade has slipped since 2018 but data and digital cross-border internet information flows have jumped 48% from mid-2019 to mid-2020, a sign that more designs and knowledge and not physical products are being sold across borders. Online platforms can allow small niche products to be marketed across the world. We are moving toward "distributed globalism," in which smaller companies and smaller communities can build a small town creative community, and this all takes leadership to bring it to fruition. Some of these companies will sell 3D printed

equipment that makes products rather than selling finished products themselves.

So why is local startup promotion important?

We must find a place within "just-in-time" supply chains (low levels of single sourced, in-process, semi-finished goods) that also considers "just-in-case" disruption scenarios as well. Local startups are one solution, and leaders have to consider this a huge opportunity, which will keep communities adaptable to supply shocks.

When it comes to adaptability in a continually changing environment, leaders have to avoid disruptive events as just "bad luck." He has to take responsibility and consider it poor leader anticipation and preparation and what could have been done to be prepared beforehand. Whatever is decided, there will be some cost involved to make the organization more resilient to unforeseen events. Resilience must be made visible on business balance sheets to understand how stable a company is.

People just don't move easily when there is a community, neighborhood, city or region in decline. Today's up-and-coming technologies in energy, 3-D printing, online education, virtual meetings and connections, and crowdsourcing/funding can help people redirect their efforts exactly in their current community without being forced to relocate. This is where innovative leaders can come up with

ideas that will keep people from being forced to move to find sustainable employment.

According to Foroohar, the best neighborhoods (living and working environment) are more local, sustainable, and mixed-function communities in which people can afford to live and work in the same place. In these neighborhoods, citizens, encouraged by leaders, keep each other safe, even safer than police can.

Relationships and intimacy, cemented by a connection to their neighborhood, is the deciding factor when looking for security. This relationship is developed by a network of voluntary, trusted controls and standards among the people themselves. These conditions are the glue that keep a diverse group of strangers at ease in their communities.

Startup innovation leadership

How local leaders can build a support network and accelerate any startup project.

Local communities are important and should be energetically promoted. They have social capital. They create networks among people who live and work in the same area. This enables those communities to be more competitive, as well as making their people happier, healthier and more positive about their future.

This is why key people have to lead community members to a better life. It is not pushing people to do things they can't fully visualize. Once they can envision that improved community, they will be self-motivated. The leader doesn't have to exhaustingly keep pushing the concept.

My local connection

I have been to and worked in over 80 countries worldwide. But, in the past several years or so, I have had the desire to get to know my local community (southern Tokyo) better, which I hadn't thought that much about up until then. To

my surprise, there are thousands of small manufacturers in my area of Tokyo. There is only one other place like this in all of Japan, which is east Osaka.

Imagine two events. One is of you walking out of your house, and you shockingly see your neighbor die. Whether it is a heart attack or a violent attack doesn't matter. The second event is floods in Bangladesh, which killed thousands of people. Here is the issue:, most of us will be emotionally impacted by seeing your neighbor's death, but not shocked at the thousands dying in a flood. Why is that so? I think it is because we are connected to our friends, family, neighborhood and community, but not to people in foreign lands.

Near-shoring and friend-shoring

In reading *Homecoming*, by Rana Foroohar and *The Rise of the Rest*, by Steve Case, the expression "near-shoring" and "friend-shoring" supply chain strategies keeps coming up, and human emotion is involved. I think this relates to community identification. These localized supply chain strategies bring suppliers and users closer together, so they know each other personally. It is all about building a community to the point that you care about the wellbeing of your local suppliers and your local users, those you serve and those that serve you. That is why I recommended representatives for six company stakeholders in my article about the corporation board of stakeholders.

The question is: how can we develop local businesses that expand social capital collaboration in smaller communities? To build any business, three things are needed: land [environment], skilled labor [humanity] and capital [investments], and all must be respected. In *The Rise of the Rest*, by Steve Case, he looks at all three of these requirements and offers to help through investment activities.

Developing local entrepreneurship

The Rise of the Rest gives many examples of the development of local community entrepreneurship, mainly through accelerated collaboration and networking. The book clearly shows there are opportunities in smaller communities, and shows a bright future for some local communities. It presents this through specific local promotion activities and processes.

Case was a co-founder of America Online, in which the name created an image of the whole country being connected. This includes local communities, as they must be connected to the whole world as well. The book's goal was to help people visualize, experience and believe that through local community startups, there are opportunities assembling key people, ideas, and capital.

Here is how Case is developing startups in mid-sized US cities:

First his team studies potentials in mid-sized city communities, starting with six months of preparation before a promotion event and six years follow up after the event is finished with regular calls and visits.

Then, he schedules a bus tour to each attractive city. The visit starts with a big breakfast to spot local community leaders and get people talking to each other.

He invites high-level investors, corporate CEOs, influential government officials, Chamber of Commerce members and others to listen to local startup concepts. He asks startup candidates to give pitches in a contest on why they will serve the community best and will be profitable themselves. There is a \$100,000 investment reward to the winner, with the top five getting lesser rewards. Mostly, these people present their startup proposals to people they've never met before. The leaders of startups offer proposals that answer three questions:

1. *Why me?* What is original about their proposal in this area? What is the need it addresses? Can it scale and reach a breakeven point quickly?
2. *Why now?* Is the infrastructure available in the area, or can it be developed to make the proposal feasible?
3. *Who cares?* Are there entrepreneurs who are looking to solve big problems and seize large opportunities? These are not current organizations but mostly new startups or startup departments within corporations. They are companies that want customers who care about the source of their goods. They have a sense of

place (people with community identity, not transient outside people).

If a startup wins an award, not only does it get the money, but it builds credibility toward investors, skilled people, suppliers and customers.

By connecting investors to entrepreneurs, inventors, and innovators, ideas can be sparked, which drives more collaboration. Just showing up face-to-face on the front line where things happen gets discussions going. It could be as simple as putting excess, secure spaces to full use.

Case also recommends starting a single local innovation center to expand diverse collaboration, including investor to investor discussions.

These activities could start a local ecosystem, which exposes the area advantages and sees where relationships can be made between local universities, research institutes, innovators, local press and media, entrepreneurs, investors, government incentive officers, popular city mayors, corporations, community clubs (such as Rotary or Lions), local company founders, local online courses, local economic development foundations, and ecosystem builders.

The goal is to create a tipping point toward a “we-can-do-it” attitude that builds teams (not individuals) committed to both startup and community success.

Startup innovation

Looking at the above, you can't create new jobs without creating companies, and you can't create companies without a culture that nurtures startups. That is where leadership is important.

The types of companies Chase invests in includes:

1. Startups, not SMEs. He wants companies with few bad habits. The startup believes in the Open Organization principles of *transparency, collaboration, adaptability, local inclusivity*, and strong local *community* interaction.
2. Have local support: The community should want the startup in their community.
3. Startup belief in value to the community: The startup believes in the value it brings to the local community and wants to support what the area needs.
4. Startup dedication to the community: The startup is dedicated to the local community and wants to be a favorable influence in it.
5. Believes in its solution: There is a dedication to solving a specific problem and finding a better solution than what's available today.
6. Startup desire for close stakeholder relations: They believe in respect for customers, suppliers, partners, investors and the community.

Factors for local startup investment

Leaders have to consider how his startup can be successful. These leaders must get seven groupings to start collaborating, which Case calls the “Tech Ecosystem Wheel”:

Startups must have a community impacting business model for locations with low living/business operating costs. The startup founder should have a strong and broad relationship base in the community, so a level of trust has already been established.

Investors must care about the community they invest in. Investments could come in the form of accelerator and incubator programs to test the viability of projects.

There are research institutes or universities in the community or at least the region where required labs and equipment are available.

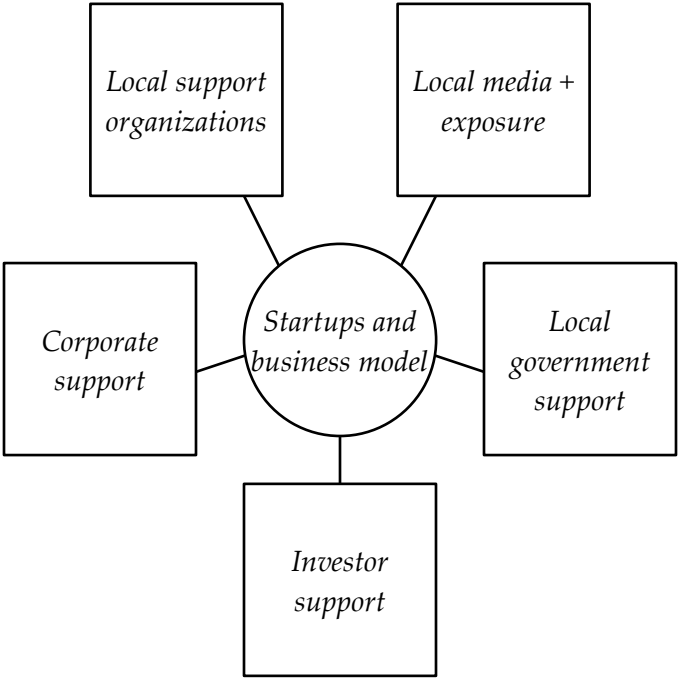
There are government (town mayors) encouragement, support and possibly incentive programs available.

Corporations, sports teams, local hotels and their spinoffs are available for encouragement and support.

There are community startup support organizations (chamber of commerce, development agencies, lawyers who can scale companies, accountants who can create business records).

Local media is available for announcements and information distribution.

I think the startup should be at the hub for a business model that serves the community. There should be a big outer circle of the community, like the below illustration.



The startup should be the center or hub of a community

Startups need not be supported by all these spokes, but some are definitely required. The important thing is that startup leaders must make those institutions visible and interested in what they offer to the community. The leader must make sure the hub of the ecosystem is connected to what is needed, what is available and what should be avoided. This is his promotional job.

Relationships matter

In any case, the potential startup leader must make relationships personal around the project and build a human connection with their community. Then, when the time comes, they will help each other. The startup champion must interact with others in special, helpful and valued ways. This could take place in locations one would least expect it, like declining, neglected parts of a city.

The leader should instigate collaboration between universities, alumni research foundations and research institutes to create ecosystems which can develop startup mentorships, accelerators and innovation hubs.

If local communities are to thrive, they have to provide a quality of life where people want to live - communities that have a clean environment, a safe environment, a hazard-free environment, good schools, attractive parks, bike paths, and vibrant downtown activities, for example. Without that environment, no one who promotes a startup will be successful.

For example, community centers with clubs, classes, tutoring, summer camps, open gyms have been supported by local entrepreneurs, government leaders and corporations like Google Fiber. Through Google, smart speaker equipment, tablets, and other technical tools are made available, making it an easy environment to do business. Some even set up restaurants that offer a “pay when you can” policy to get local people together talking to each other.

In exchange for food, tips go to people who can't pay at all. These entities have the ability to help groups to assemble, have parties, educate each other, inform one another and build links to resources for startups.

Investing with innovation centers

Sometimes, the greatest startup support organizations are large, existing companies, governments, and investors that a startup developer can tap into. For example, AT&T, Delta, Home Depot, and Southern Company have opened more than fifteen innovation centers in Georgia Tech's Tech Square. The purpose of these innovation centers is to consider investing in good startup ideas.

The startup offerings and the intimate relationships to the location and community will determine success. You can find incubators, which are physical spaces for startup development with support staff and equipment to utilize. They may have a full range of programs, tools, mentorship, education and financing. This all could be supported by government incentives that a project champion can explore.

Of all these support organizations for startups, universities are the most consistent driving force within successful ecosystems. Examples are Duke University (the Innovation & Entrepreneurship Initiative) and Johns Hopkins (FastForward), which offer coworking space, lab space, equipment, experienced mentors, legal/accounting services

and investor networking. A project leader could build his startup community there.

Local media offers the ecosystem amplification of startup news, data and thought leadership. For example, Casted is a video podcast platform created for B2B marketers. The leader can explore what the media is doing in his area.

Network density

According to Case, in order to collaborate at the highest level to introduce a startup in a given community, leaders need to consider these areas of networking:

1. To deepen the connection and interaction, regular contact with passionate innovators is needed. One way to do that is by creating coworking spaces that can be designed to advance network density, collaboration and transparency.
2. Also, regularly contacting innovators with skills is important. To be successful, ecosystems and startups depend on entrepreneurs being close and in regular contact with others who share the same passion, skills, and tools. Clustering people, support organizations and required services are essential factors.
3. This network density fuels both creativity and collaboration. Therefore, the startup promoter should look for locations that bring individuals together, like

innovation centers which hold presentation/discussion events. These locations will accelerate the chance of serendipity to find resources and allies. Often, universities and local city governments (even a single mayor) are major players in entrepreneurial ecosystems which the startup promoter can look for. Sometimes, large corporations, local universities and local community connections come together to build innovation centers.

4. Regarding cost of living and ecosystem support, cities like Austin, Raleigh, Durham, Nashville, and Columbus are right at the top. The project startup promoter can look at those examples, and see what similarities there are in his community.
5. Building prototypes to present to potential supporters and investors takes expertise that the startup leader must develop. That is why universities and technical institutes are so important. In order to convince customers, investors, the local communities, the local media, local corporations, local universities and the local governments, all startup leaders must develop some kind of compelling presentation and testimonials of even an early prototype. Simply, it is making products as visual as possible. For local investors, you could explore PitchBook to find a company in your area as well as someone that might be interested in your particular product/service.
6. Prototypes fuel ideas and expose problems. This is what gathering points provide.

With all the above, the chance for serendipity for the startup leader to find allies will increase.

When it comes to inclusivity in local communities, people shouldn't be forgotten, particularly those industrious people that have desire but no formal education. Case mentions the strategies of Catalyte, which invests in people with no college degree but have the talent and the desire to learn software development.

Empowering employee decision-making

Open leaders should stay involved in decision-making, not avoid it.

In Japanese business discussions, one term appears again and again: "gemba." Over many years living in Japan and working for Japanese companies, I've probably heard the phrase "gemba de kimeru" a million times. Basically, it means that issues must be solved and decided on the front-line, where the problems and/or opportunities are. Popular thinking holds that people can work with their peers to solve problems. In Japan, however, problems with this thinking can develop.

Here, top managers often don't want to "stick out." They don't want to assume too much responsibility. So they pass decision-making "down" to front-line people, essentially removing themselves from the decision-making picture. They don't grant front-line employees decision-making power in order to empower them. They do it to avoid responsibility for failures.

As Jim Whitehurst says in his 2015 book, *The Open Organization*, granting front-line employees more autonomy is a way of driving innovation—not avoiding culpability. Whitehurst describes the ways Western managers struggle with the issue of autonomy (they fear letting their staff make decisions, as they think that by doing so they'll lose organizational power), but they miss this critical intercultural difference. (Interestingly, if managers stay involved in supporting roles and believe that front-line people can make decisions on their own, they can actually become more powerful. But that's another topic.)

Managers should stay involved in critical decision-making, even as they grant their front-line employees a bigger voice in decisions. But their role needs to change. As Whitehurst says in *The Open Organization*, they need to facilitate, not delegate. That's a critical distinction that my time in Japan has taught me.

It's also shown me one source of this problem—as well as a few paths to fixing it.

In need of meritocracy

When managers ask their staff to make decisions, then divest completely from the decision-making process, they can actually reveal their own weaknesses. I've seen engineers transferred to high level, personnel-related department positions, for example. These transfers were not based on ability or experience, but simply on title and the number of

years of experience they had in the company. Promoted candidates unfortunately tend to lack managerial skills and sensibilities—after all, they were trained as engineers. So to make sure the department is functional, these newly-minted managers have to rely heavily on their staff. We in the department were shocked by this, and prayed that incoming managers wouldn't weaken our departments too greatly.

Interestingly, however, I've also seen some success in this uncomfortable working environment. Quite simply, the manager announced he didn't feel he was fully qualified for the position, and that he would need all the staff's support to be successful, particularly from those who have been in the department for many years. Admitting one's limits actually helps build engagement.

Peer projects can begin at parties

Japanese company parties always feature an emcee, who announces the start of the party. Imagine a party to welcome the unqualified boss I mentioned above. Typically, people are sitting around a large table, and initially there is only one discussion going on: one the emcee controls. The emcee welcomes everyone and asks someone to give a toast ("*kanpai*") to begin the boss's welcome party. From that point on, people start eating and drinking. Then the emcee asks everyone to introduce themselves, both to the whole group and to the boss, and to mention some of the things they're working on. After all participants have introduced themselves, the new boss speaks.

In my experience, the unsuccessful inexperienced bosses announce how they'd like to improve the department. The best unqualified managers simply present their career highlights, then mention that they're looking forward to getting to know and working with everyone. When general conversation resumes, the new manager actually moves around the room, pouring beer in each associate's glass, offering an individual greeting. At that time, the manager asks about each member's most urgent concerns with the intent of finding a way to genuinely understand them. Armed with what they've learned at these parties, these inexperienced (but smart) managers begin finding ways they can be helpful. Rather than just announce a plan to make changes, they spend time trying to understand what their employees need to have changed.

With the right introductions, questioning, and ideation, critical peer projects can begin during those parties, whether through the boss's introductions or close colleagues just kicking ideas around. These types of parties are not just for new employees (or new bosses). Many Japanese companies have these parties with subsidiaries, vendors, and customers with the same goal. They really generate front-line projects to explore partnerships as well.

Meetings in the bars at night

But occasionally official company parties are not the best environments for speaking freely and openly, particularly regarding uncomfortable issues. On some delicate subjects, I

have been more successful holding peer-to-peer, open discussions after those parties.

I asked a few attendees to grab a beer or two at a yakitori restaurant after the party. The people I select for these meetings usually demonstrate the desire to make improvements—as opposed to those wanting to maintain the status quo. I also select people that take pride in their work, will be accountable for performance, and have proven they've got the skills to introduce important changes. With that environment and small group size, those discussions have been very successful for me, and I think that environment is the best venue for creative open discussions throughout Japan.

Finding a balance

Whether you're putting together peers at a formal business meeting, at an official boss's welcome party, or in a bar, I can't stress enough the importance of balancing the four criteria Whitehurst explains in *The Open Organization*:

1. Encouraging members to speak freely and honestly
2. Encouraging members to be courageous enough to be different
3. Selecting members who are committed to achievement
4. Selecting members with the willingness to be accountable for whatever is decided.

This is how to catalyze front-line engagement—by staying involved in decision-making, not by skirting it.

Promoting local startups

How can an organizational leader develop, promote, establish, and build a team for community startups?

Local communities have human connections that are rare in megacities with high transiency. If the right people within a local community gather to achieve something, startup ecosystems can be created. Can an investor, in a given community, get a successful startup established and running? If so, how can he do that? How can he accelerate those human connections and get to know the right people? Here are the suggestions from the book, *The Rise of the Rest*, by Steve Case, a co-founder of America Online.

Community champions

When looking at local community startup possibilities to invest in, one consideration is who you contact initially. You have to consider who the leaders in the community are now and explore getting their support. Contact them and then evaluate if you should meet. Be careful not to consider only one type of person. Explore the possibilities for a diverse

community, including women, blacks and Hispanics. How much of your particular market is represented by these people? Once people are exposed to new networks, new aspirations and ideas can develop.

Finding the right people

How can you go about finding the right people? First, you should clarify the startup's goals and initial project. From there, you must spot who the main influencers are around those goals. From the selected project, relationships and networks could be developed. These networks can include a wide assortment of different and diverse people by following this approach, suggested by Case:

1. *Socialization and exposure.* Get the widest possible assortment of people socializing. Learn and amplify what they can do.
2. *Basic skills and educational development.* Work on the skills and education required to contribute to the project.
3. *Talent identification, focus and placement.* While in training, spot talent and preferences and then direct those abilities to where they can best be utilized.
4. *Internship and apprenticeships.* Start programs which provide on-the-job experience and mentorship. Let people practice and refine their talent.

Business model approach

In application of the above suggestions, one idea is to take a very fragmented supplier-to-user relationship and consolidate it into one ecosystem, where the entire supply chain becomes more transparent and visible. Then, if there are concerns, they can be addressed quickly. For example, FreightWaves for transportation and distribution centers or AcreTrader for land sales. Or Atomos Space decided to go to Denver, Colorado, because the aerospace engineering talent there can be assembled into a productive unit.

Another business model promotion idea is to tap into the very entrepreneurial character of Cuban exiles or refugees. In Miami, 52% of the population is foreign-born. To generate startups, there is the eMerge conference. Yearly, the conference connects startups and CEOs from around the world. This includes investors, partners, and people with specific technical talent. It promotes the inclusion of the immigrant community within the Miami area. A simple example is the startup, Xendoo offering bookkeeping and accounting services for all small businesses. This conference could be where someone explores ideas and builds team members.

Addressing a community concern

In one community, the major need was to get young people together on healthy activities. They wanted these kids to learn useful skills and deepen their connection to their local

community. One idea was tearing up an underused football field and using it to grow food and teach young people how to grow things. They got young people together around a food growing project within the community.

From that gathering of young people, community serving startups could have been explored, discussed and planned. This could also be done through community college work/study programs or government incentives.

Being adaptive

Entrepreneurs must continually adapt as business ideas come out, new products are developed and market situations evolve that require a great deal of trial and error toward the unknown. This is a special skill set in a world that can present unplanned-for events. You just have to keep asking yourself if something can be useful - and iterate based on what you find. Then, find other people in the ecosystem that want to be helpful. Those activities build ecosystem communities, leading to community loyalty and pride.

Entrepreneurship is hard, it is usually surrounded by doubters and skeptics, including family and friends that can't envision the startup concept. On top of that, one has to confront their own fears of counterproductive events. Throughout history, great ideas got started in someone's garage, barn or school lab. Then, someone took a chance on the idea, supported it and invested in it. None of this was

well planned, and there were continual adjustments along the way.

Here is an example of how a startup gets off the ground: LifeLoop developed an app that connects families with older retired, fragile, immobile adults in assisted living facilities. The app looks at improving quality-of-life related issues in finding ways to engage grandma with her community and with her family across the United States. This all started with the statement that addresses the problem of older people that lose contact with friends and family, specifically, “There has to be a better way (than the way older people currently stay in contact).” After exploring some ideas, they started looking for the needed talent with spare and excess time available to make it a reality, as they had no budget at all. This leads to LifeLoop, which simplifies reconnecting.

One location to live-work-play

According to Case, to help people live, work and recreate in the same place, an ideal living, working and recreation environment must be found. First, a “live-work-play” environment (which is not living in one place, working in another place, and entertaining yourself in still another place) must be explored, so you don’t have to commute. In the right location, startups can achieve that. Global corporations don’t care that much about each local community. Leaders should promote those community values to all potential partners or investors.

Internet development stages and their current impact

In his book, Case introduces what he calls the “Third Wave” with the First Wave being initial internet connections and the Second Wave being software development to fully use those connections.

We are now experiencing his Third Wave, which is how all these connections impact and change our daily lives, businesses and communities. This impact consists of four factors that any leader should capitalize on:

1. Expanding community tech centers with industry expertise.

People from different places are starting to come together to share expertise and collaborate in tech centers.

2. Job-creating startup hubs.

These centralized groupings are bringing technology, expertise and local needs together to create wealth. These hubs are required to build network density in which there is close, regular contact with creators that explore possibilities and help each other succeed by moving ideas into actual products. These networks are replacing hierarchies that had created barriers to entry in the past.

3. Acceleration of local and distributed innovation.

Economic success will no longer depend on being near a river, ocean or natural resource as in centuries past, but will depend on the skills of people being assembled. That is why academic and research capacities are important. Each location must find an advantage to focus on and develop to make them exceptional.

(Amazon was set up in Seattle because of Microsoft engineers. Dell and Southwest Airlines started in Austin because of its innovativeness. Place still matters but to a lesser degree. Ideas will come to the surface seemingly by accident, as more adventurous, information sharing and collaborating people assemble around each other.

That is harder to do virtually but not impossible. Think of telehealth services and virtual offices, such as Talkspace the telehealth company or Pear Deck or Class Technologies that support teachers.

4. Local and national government engagement and incentives.

With local, regional and national support, the startup process will be accelerated. Startups can't succeed on their own. They need a community that celebrates them, and they need to be able to access capital and attract talent to scale. This is where governments can help. Startup leaders have to explore how supportive governments and communities will be to any new idea.

Overcoming high labor costs

Companies like Catalyte can find people with no college degree but have the talent and desire to learn software development. People with advanced degrees might be too expensive to hire at a startup. It might be an idea to ignore typical resume key points and explore current abilities and development potential. That discovery is not that easy, but Catalyte is doing it. All leaders that want to build teams should explore how to identify this drive and talent.

Furthermore, you could look within the immigrant population, Black community, and women without college degrees and build from there. You could take people from anywhere, any demographic, any background, and identify those with software engineering development potential. In Dallas, Las Vegas, Miami, and Raleigh, immigrants are responsible for more than half the startup growth in those cities, as well as 19 other metro areas in the US, according to Chase.

Local development hubs

One of the key hubs for local economies is universities and research institutes. As their markets are small, so are their research budgets. For example, testing equipment and materials are expensive. Possibly they will have to explore sharing equipment.

Rheaply is an organization that builds connected communities with transformative technology, where every

workplace resource finds its next use. It connects scientists with equipment and resources in excess to those with specific needs.

Let's say some testing equipment (chemicals/tools/raw materials) was used to do research. What does the researcher do with the equipment after the research is completed, but other projects might follow? Those items could be shared in the meantime and then returned later.

Websites could be developed to connect a wide range of research assets to where they might be needed. That would lead to the development of a research community with a limited budget. This all leads to lower project costs, less waste and more efficiency.

Solution for weak, declining rural communities

Startups could be the solution in declining communities that no one cares about. For example, AppHarvest is a company in Central Appalachia. It developed a method of using 90% less water and the power of the sun for reliable indoor food production, regardless of unpredictably harsh external environments.

That technology could be needed in many similar regions. An estimated 30% of the food produced globally for human consumption is wasted somewhere along the food supply chain, according to the Intergovernmental Panel on Climate Change. AppHarvest, with its shorter supply chain, fights fruit and vegetable shortage through reduced waste.

AppHarvest started in a depressed area. When people are inundated by talk of problems, especially ones that feel insurmountable, they tend to tune out to what could possibly be done. The AppHarvest startup team, through the inspiration of its leaders, turned away from all the problems and redirected their effort to find out how indoor food is grown elsewhere, like in Europe and other markets. Then, they came up with a business model.

Local electrical charging challenge

For electric vehicles (EVs), charging stations are a problem, particularly in rural communities. What's the opportunity? Ask the leaders and establishment team at SparkCharge. They created portable EV chargers and charging-as-a-service (CaaS) for EV charging that is less expensive, seamless, simple and convenient.

Rural education issues

As the globe becomes more internet connected, rural education should spread, including education for innovators and entrepreneurs which those leaders can take advantage of.

Reading the book *Beyond Silicon Valley* by Michael Goldberg, and taking the author's open online course (MOOC), I discovered that even learning how to develop a local startup is available. The courses take you through how to start businesses, find entrepreneur mentors, grow entrepreneurial

advocacy organizations, and energize a local startup ecosystem. For example, imagine you move to a new small city and want to develop a startup project. If you are a software developer, first you have to get away from your computer screen and start talking to community leaders. You should ask yourself what successful software related companies there are now. If you find one, go talk to them and ask what they did and how they built a community network. Their success stories will give you guides toward your own software startup.

Once you talk to a lot of people directly, you could organize an online or in-person local startup “Meetup” with the purpose of brainstorming what is needed in the community and how a startup could address those issues. For the meeting discussion, you could start with a local success story if you can find one. Then, you could start asking questions like, what does this local area have to offer (secure space, location, talent, incentives, products, etc.). What are their advantages in comparison to other regions? What is needed in this area (training, resources, funding, ideas)?

After the meetup, a document of all the local startup issues, advantages and concerns that were discussed could be written. From there, the document and issues can be presented to investors, government agencies, and local NGOs to get them thinking as well.

For example, MicroMentor is a global mentoring platform that helps change makers and innovative thinkers. These are mentors who have had businesses and know what new

startups will go through. That is just one of many resources that could be explored.

You must have confidence in your region's ecosystem and its unique capacities. So, you must understand the value of your ecosystem to gain that confidence. Then, you can design a future that takes advantage of those characteristics.

4 approaches to communication technology

Organizations that don't improve their communication environment may lose their competitive advantage.

Both *The Open Organization* (2015) by Jim Whitehurst and *The Open Organization Field Guide* (2018) discuss ways new communication technologies are changing the nature of both work and management. I've seen these changes firsthand during my nearly three decades working for Japanese corporations. Over time, I've been able to classify and characterize some of the impacts these technologies—particularly new telecommunication technologies and social media—are having on daily life in many organizations. Simply put: They're affecting the way peer-to-peer decision-making practices function in organizations today.

How new communication technologies are affecting peer-to-peer engagement

In Japan, I see companies that heavily promote today's communication technologies, as well as some that avoid them. Imagine four types of companies currently making use

of today's communication technologies as they compete with other firms. These technologies are key, because they influence the environment in which certain peer-to-peer communities must work, and this, in turn, affects members' enthusiasm, desire, and engagement—so investment and utilization are critical considerations.

Based on what I learned by reading *Leading Digital: Turning Technology into Business Transformation*, we can actually chart the four types of technology-adopters according to those two variables: investment and utilization.

- Some companies are underinvested in new communication technologies, considering their needs and the relatively lower costs of these technologies today. And what they do have, they're not using to capacity. I call these companies communication technology "slow movers" (low investment/low utilization).
- Others buy whatever is available at any cost, but don't fully put what they've purchased to full use. I call these communication technology "fashion followers" (high investment/low utilization).
- Still other companies invest in the very minimum amount of communication technology, but what they do have they use to full capacity. I call these communication technology "conservative investors" (low investment/high utilization).
- Lastly, there are some companies that invest heavily in communication technology and work very hard to

put it to full use. I call these communication technology "communication superstars" (high investment/high utilization).

These "communication superstars" have the ideal environment for peer-to-peer, front-line discussions and decision-making. But in Japan, particularly among smaller companies, I'd say more than 70 percent are "slow movers" or "conservative investors." If companies would pay more attention to investing in communication technology, and simultaneously increase their efforts at training staff to use the technology at its full potential, then peer-to-peer, front-line employees could explode with creativity. These technologies affect four aspects of information today: volume, speed, quality, and distribution.

1. Increased capacity for decision-making (volume)

In "communication superstar" environments, communication technologies can actually increase in the amount of information that can be made available quickly. Gone are the days in which only researchers or professors have access to in-depth information. Now, front-line people can obtain volumes of information if they know what they are looking for. With more and greater in-depth information in communication superstar company environments, front-line people working there can have more educated discussions and can make the type of decisions that only top management (supported by consultants and researchers) could have made in the past.

2. Faster pace of decision-making and execution (speed)

New technologies in these "communication superstar" companies are leading to quicker information acquisition, feedback, and flow between the front-line members in the organizations, even if they are very widely disbursed. Using the metaphor of adjusting the temperature of water coming out of a faucet, I would describe the effect this way: If you move the handle but the temperature changes very slowly, then finding the temperature you want becomes difficult, because the pace of change is very slow, and differences between settings are difficult to determine. But if you move the handle and water temperature change is more immediate, you'll find that getting the correct temperature is much easier; you're moving quicker and making more rapid adjustments.

The same logic applies to peer-to-peer discussions and feedback. I have a five-minute-to-twenty-four-hour goal when replying to my worldwide customers. That means that if I receive an email from a customer (something that arrives on my desktop computer at home, my desktop computer in the office, or on my mobile phone), I like to reply within five minutes. This really surprises customers, as they're probably still sitting in front of their computer! In the worst case, I try to reply within 24 hours. This gives me a competitive advantage when attempting to get customers to work with me. Front-line, peer-to-peer communities in these "communication superstar" companies can have that same

competitive advantage in making quality decisions and executing them faster. The capacity for speedier replies allows us to make more adjustments quicker. It keeps both employees and customers involved, motivated and engaged. Information arriving too slowly can cause people to "turn off" and direct their attention elsewhere. This weakens the passion, dedication and engagement of the project.

3. Toward wiser decisions (quality)

Information not only travels more quickly when the business communication channels are adequate, but it's also subjected to more scrutiny. People can share second opinions and gather additional empirical data using these technologies. Furthermore, new communication technologies allow employees and managers to deliver data in new ways. With my years in sales training around the world, I've learned that using multiple visual aids, infographics, and so forth have greatly enhanced communication when English language barriers could have impeded it. All this can lead to high levels of peer-to-peer, front-line engagement, as up-to-date status reports can be quickly distributed and easily understood, making everyone more responsive.

4. Maximal reach (distribution)

Not long ago, teammates had to be physically close to one another and know each other well in order to communicate successfully. That's no longer the case, as communication

channels can be developed with people literally all over the world. Good communication is the outcome of developing a trusting relationship. For me, building trust with people I've never met face-to-face has taken a bit longer, but I've done it with today's technology.

Let me explain. Good communication starts with an initial contact, whether meeting someone in person or virtually (via social media or some tele-communication format). Over some period of time and through several exchanges, a relationship starts to develop, and a level of trust is reached. People evaluate one another's character and integrity, and they also judge each other's competence and skills. With this deepening of trust over time, greater communication can evolve. At that point, open and in-depth discussions on very difficult, complex, and sometimes uncomfortable topics can take place. With the ability to communicate at that level, peer-to-peer discussions and decisions can be made. With today's communication technology, greater information exchange can be made among a group of widely dispersed members. I currently have approximately twenty customers around the world. Some I have never met in person; most I have just met in person once. Being stationed in Japan can make regular get-togethers with Europeans and Americans rather difficult. Fortunately, with today's communication technology, I can find solutions for many problems without physically getting together, as I have built a trusting relationship with them.

Improve the communication environment

With all the benefits of this "communication superstar" working environment, in open organizations that promote peer-to-peer discussions, decision-making and management, I recommend the other three groups to move in that direction. The "slow movers" more than likely have managerial barriers to open information exchange. They should be convinced of the benefits of a more open organization and the value of greater information exchange. If they don't improve their communication environment, they may lose their competitive advantage. The "fashion followers" should more carefully study their communication needs and time their investments with their in-company training capacities. The "conservative investors" should study their communication bottlenecks and find the technologies that are available to eliminate them. That's the path to super-stardom.

Leaders establishing a startup on a tight budget

With little money, how can leaders introduce a startup?

Ask yourself this question: What are the problems in your area? Is there a better way of doing things? Or, could there be a better product to solve those problems? Who has the technical and financial resources to address those problems? How could local or regional community members/organizations support any given solution? What are the particular merits of your area? Innovative leaders start with asking questions like those.

One idea to get answers to those questions is for the leader to ask if local innovation centers exist. For example, one can look for a Microsoft Innovation Center; Microsoft Innovation Centers (MICs) have been developed by local government organizations, universities, industry organizations, or software or hardware vendors that have partnered with Microsoft with the common goal of fostering growth of local software economies.

By the innovation leader talking to them, he could work on a potential startup or perfect on his startup concepts or offering.

Establishing a startup

Even with very little financing, there are things a startup leader can do to get his local project off the ground. I learned a very good approach from the book *The Lean Startup*, by Eric Ries.

According to Ries, entrepreneurship is a kind of boring management. It follows a boring step-by-step process. Instead of spending years perfecting the ideal product, innovative leaders should build a “minimum viable product” (MVP) and start asking potential users (customers) what they think. Then, they can find what needs to be improved and what needs to be left alone. The startup leader starts learning what customers really want, not what they say they want or what you think they should want. That takes experimenting, meeting people, and along the way building a community of interested people.

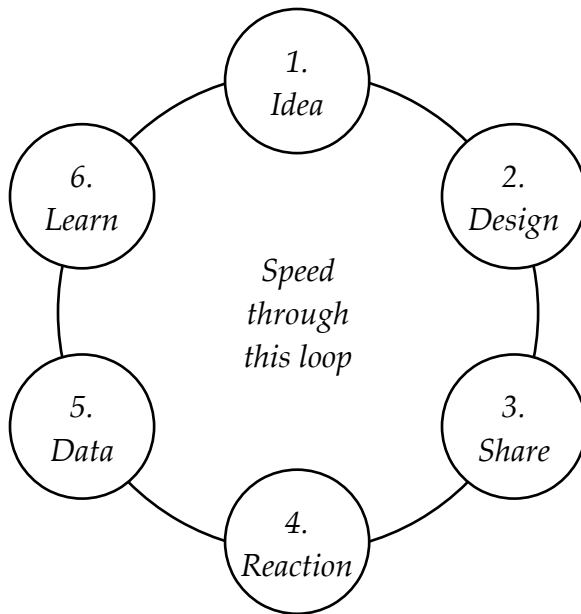
Therefore, one must prepare many prototypes for them to use and try to get their real impression (validated learning). Sometimes, even making videos on how a product works could visually present and illustrate the use of the proposed item or service.

The innovator must demonstrate empirically that there is a need and want. He can also determine what is not needed.

This will determine what to cut, what to improve on, and what to leave as is. This must be done as fast as possible, no hesitation to keep costs down. The longer it takes, the greater chance of startup failure. Why did they like such a feature? Why did they ignore a feature? Did they hate a feature? This must be found out through experimenting with the product. It can't be done by just asking focus groups or doing market research. People don't know what they want until they see it, try it and use it. These activities are taking the Open Organization principle of *collaboration* to an advanced level.

Build-Measure-Learn

If a leader is to get a project going and build a team, according to Ries, the basic activities are to turn ideas into products. Then, measure how users (not investors who are interested but won't use the product) respond to those products. After that, the leader can learn whether to pivot or persevere. All successful startup activities should be geared to accelerate that feedback. It could determine if the products should be modified or even that different users should be approached. Notice this feedback loop below.



Build-Measure-Learn feedback loop [image: Ron McFarland]

The feedback is both qualitative (such as what they like and don't like) and quantitative (such as how many people use it and find it valuable). This is a continuing learning process, all experimental through which defects, shortcomings, errors and weaknesses are sought out, expected and amplified. Ries recommends asking users five times why they feel the way they do about the product, and do it with just enough users to learn a lot but keep costs down. That way, concerns can be addressed, leading to building a sustainable product, business model and startup company.

When it comes to planning, the feedback loop "Build-Measure-Learn" works somewhat in the reverse order. We figure out what people think they need and then work

backwards to see what product will work to satisfy that need. We experiment to learn if he actually needs it. Thus, it is the customer’s idea, not our initial idea of a need, that pulls work from actual need to product development and other functions.

The benefits of this “Build-Measure-Learn” feedback loop are that it is not very costly and saves time. It also quickly finds opportunities, and it builds a user contact base and even possible testimonials.

<i>Reduces risks, costs</i>	<i>Saves time</i>	<i>Finds opportunities</i>	<i>Creates Important contacts</i>
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Benefits of the feedback loop [image: Ron McFarland]

The feedback loop starts with making “leap of faith” assumptions and tests assumptions as fast as possible with a minimum viable product (MVP). Then, the startup gets that MVP into the above build-measure-learn feedback loop and applies them to actual users, not development engineers or designers. You need those users’ reactions, particularly those who have the greatest critical need for the product/service. Once the leader has a good feeling what the MVP is, he can move to the creation of a broad introduction and demonstration of it to the public.

I live in Japan and have noticed that the Japanese love to tinker around with product ideas. They take this Build-Measure-Learn loop to a form of art. In my area in southern Tokyo, there are thousands of small fabricators. Most are low technology, but some are world-class. These companies don't promote their products. They promote the advanced equipment and skills they have to quickly produce what the customer wants. One company, Kitano Seiki, even makes testing equipment strictly for researchers. All these companies continually apply this Build-Measure-Learn loop with their customers. The faster a startup can build prototypes, the lower the development costs.

How to get investor attention

Once the above product is established, investors are needed. Finding investors was written about in another book, *The Rise of the Rest*, which evolves around incubator and accelerator activities with pitch programs. Once a startup innovator has determined his MVP and found some kind of innovation center in his area, the next problem is how to make an effective pitch. Here are five steps a leader can consider:

1. **Pitch/join:** He promotes his concept and gets acceptance. He has to develop a five to ten minute presentation that convinces people that he understands the market, and has a product/service or concept that that market needs. He has developed, or has the ability to develop, a good team to service that

market, and he has a plan on how to service that market. If he has weaknesses in those areas, he can ask for support or suggestions to address them.

2. **Get/give:** The leader can get expertise by giving a share in the company, if the people he presents to believe in the startup purpose. (For example, give 7% or 8% of equity for a project)
3. **Hit milestone:** First the leader has to set and hit an initial target that more than likely will be required for the first investment. Then, after looking at the target results, more money could be offered to be invested.
4. **Get more:** Further investment is offered after initial trial introductions.
5. **Graduate:** With some successes and testimonials in place, the leader can approach and demonstrate to major venture capitalists for long-term investment.

To learn how to do the above, PitchBook can help quickly construct a presentation to promote a startup project. But, before that presentation, a startup concept and product or service have to be developed and that is why I recommend using the build-measure-learn feedback loop above.

Environment of uncertainty

Startups are different from ongoing businesses, as there is greater uncertainty. Therefore, the leader must very actively set up a market learning process. He could reach out to consultants or experienced advisors who have participated in the establishment of startups to reduce that uncertainty.

Innovation is a bottom-up, decentralized and unpredictable thing, but it can be managed through a vigorous, speedy trial-and-error system. Impacted by set-backs, entrepreneurs must be supported, nurtured and held accountable for learning and advancing.

Ries believes that a fast-cycle testing system must be applied (run, learn, test, relearn and retest). The entrepreneur has to not only follow this testing system to get all his team members involved in it, but also he has to get them to envision what can be achieved.

It is always painful to throw away what is not producing the results (for the target user), but sometimes the team has to stop and start all over. In this case, the faster they can make that judgment, throw waste away and start all over, the less costly it will be in the end. This is the user needs and desires learning process that even the user himself has to go through. Because the user is not sure what is valuable, surveys are not that reliable, only experimentation works. What the team is doing is studying what is important and what is irrelevant.

For that trial-and-error process to be successful, the team has to break down plans, goals and targets into very small doable and measurable parts, tasks and activities. These tasks have to be put in some sequence, and milestones have to be set along that process.

From vision to tasks

Once the leader has a general vision of his startup's purpose and explains it to his members, that vision must be broken down into specific issues, one being to confirm that their product/service actually provides value. Another is if a large enough number of users will buy into that value. Who are the early product adopters that need the product the greatest and are willing to experiment with a test product and make it as useful as possible to them? They are the people most willing to give feedback, as it is for their own benefit. The leader and his team must find those early adopters.

The team must find these early adopters and get them to use their minimum viable product (MVP). It could be for sale, rent or just use, with the understanding they will honestly report what features they like, dislike, need, and don't need. They could also be asked how easy or difficult the product is to use. These people are more than likely to try a second, more improved prototype. This is all done repeatedly until the product is ready for a mass product launch, as those early users will not be enough to make the startup viable.

To keep the learning process moving forward and keep costs down, the initial launch could be done to specific types of users or in a specific region. With all that learning, the startup should be on track to mass market success.

Let go of the CEO ego

Open your decision-making process and give decision making power and trust to your teams.

A CEO's pride and determination can be a company's greatest asset or its greatest weakness, based on what I learned while reading *Egonomics: What Makes Ego Our Greatest Asset (or Most Expensive Liability)*. So how does a company ensure that it functions as the former and not the latter? Open sourcing—and becoming a more open organization—might be part of the secret.

In many small, privately held Japanese companies with which I've worked, the CEO or company owner wants to gather all the information, control that information, and make decisions on his own. He wants total power over any situation. In the early years of the business (when it's very small), this management method can actually be effective. Simply put, during those early years, CEOs tended to put much stock in the saying, "If you want something done, do it yourself." But as the company grows in size and complexity, this method slowly loses its effectiveness.

A CEO cannot continue to observe every front-line activity and make decisions on what he or she sees, as one person cannot observe everything. Also, specialty expertise a CEO does not have may be required in certain situations. More appropriately: In a more complex environment, a CEO should be saying, "If you want something done, find a trusted person with the skills, experience, and desire to do it."

Open sourcing might be the most efficient and cost effective way to help CEOs curb their egos and ensure that they leverage the best talent at their disposal.

Let's talk about ego

Having a strong ego isn't all bad. Ego sparks one's drive to invent products, and, very often, that's how businesses start. Ego drive encourages achievement. It gives people the nerve to try new things. It helps us overcome setbacks. CEOs with strong egos are decisive, courageous, and set strong goals. They often have clarity of direction and focus as well.

But executives might not have the expertise or experience to make the highest-quality and best decisions. For example, their particular backgrounds might not give them the ability to evaluate certain proposals effectively. They may not be in a position to gather enough or appropriate information to decide on specific issues. And if they're too proud to admit this, then they may not seek the advice they need. And because they hide information and do things without

consulting others, they could lose trust in people—and people lose trust in them! A loss of trust could lead to other losses as well, like missed opportunities from front-line, open discussions. This leads to front-line disengagement.

Some warning signs

Four warning signs can expose an executive with a destructive ego that's keeping an organization from opening up.

1. Making improper comparisons

Some people are constantly comparing their ideas to those of others. Making comparisons to others in order to learn—that can be worthwhile. But comparing in a competitive manner, or doing so in order to bolster one's own ego, might not be. Comparing ideas competitively might cause a CEO to miss opportunities that customers are signaling. When the desire to have the "winning" idea gets too strong, one might set inappropriate goals, set goals that are too lofty, or even set goals that are too "safe" (but guaranteed to reach the mark).

Leaders who must compare should compare their present selves with an image of themselves in the future, rather than comparing themselves immediately with others. They need to let the best ideas win.

2. Being defensive

Leaders should defend their ideas and opinions with sound reasoning, and accept other ideas presented with similarly good reasoning. They needn't defend themselves personally. In open organizations, debate should focus on ideas, not people, but having an ego that's too strong might prevent someone from doing that.

You'll know you're too defensive when your pride or reputation is your primary consideration when you're making an argument, not solving the problem with the best solution. If you are giving single-solution directives rather than encouraging options, you're being too defensive.

Even though hearing opinions that differ from yours can be difficult, the truth is always better than statements exaggerated, understated, or just plain incorrect.

3. Being the center of attention

When leaders constantly place themselves "at the center," they risk blocking out information and ideas from others. But those others may have key information needed to solve a problem! Open discussion and collective intelligence outperform the brightest individual nearly every time.

With time and experience, confidence grows. The more we know, the more confident we become. When our confidence increases to the point where we think there is little more to

learn, we close the door to listening and learning. We become less open.

4. Craving acceptance

Leaders need to remember that people who resist or reject their ideas are only rejecting those ideas, not leaders as people. Everyone should have the right and opportunity to attack your ideas—while at the same time praising you as a person.

Leadership is best reserved for those who don't crave acceptance from others. When we must have the acceptance of other people, we tend to "play it safe," hold back, and take fewer risks. And this, in turn, makes us weaker leaders.

Becoming more open

Step 1: Emotional maturity

Achieving emotional maturity is the first step toward curbing a destructive ego, because, if successfully achieved, it will open the mind, increasing one's ability to listen and learn. This maturity allows us to temporarily suspend our opinions and encourage discussion and debate in the best interest of the business, not only ourselves.

Yes, CEOs must understand that they know a lot—but not everything. They must be willing to look objectively at situations and find ways to confirm an organization's

situation. This involves finding a difficult balance: When should I ask questions and get information? When should I decide and execute on a decision? When should I stop and listen? When should I talk? To create more open workplaces, we must do what we can to help leaders find this balance and remind them that they don't know everything.

Step 2: Curiosity

Once we've created an open-minded atmosphere, we require a certain curiosity to actually explore others' ideas. Leading with questions (not answers) can prevent us from holding too tightly to our own ideas and beliefs. If we are truly curious, our satisfaction with the status quo is actually quite temporary. We soon want to learn, to advance further. We are never finished. We must convince our leaders that they should hold back their opinions while they explore other important possibilities.

Step 3: Determination

Determination is what helps us close the gap between what we think is right and what is really right. But over-determination can lead us to act in blind faith. We must convince leaders that times do change. Insist that your leaders continually confirm that their strategies and beliefs are still most effective and true in the current environment.

Becoming more open

After a leader effectively keeps her or his ego in check, where does he or she begin delegating decisions and problem solving? To find the answer to that question, one must simply explore where value is created. The people involved in creating value are the people who should be most involved in the decision-making process. Having maturity, curiosity and determination, our newly-open CEO should be willing to open up that decision-making process and give decision making power and trust to those individuals, whether within the company or outside. The leader's role should be to support those people and groups, and to create an environment in which they can come up with the solutions that best suit their immediate situations, and the company as a whole—not an environment that lets the CEO's ego spiral out of control.

Building trust within teams and organizations

Open organizations depend on trust. These factors can influence it.

My travels globally have given me a feeling for how best to work in many different contexts—like Latin America, West Africa, North Africa, and Southeast Asia, to name a few. And I've found that I can more easily adapt my work style in these countries if I focus on something that plays a role in all of them: trust.

In his 2015 book, *The Open Organization*, Jim Whitehurst mentions that accountability and meritocracy are both central components of open organizations. Trust is linked to both of those concepts. But the truth, I've found, is that many people don't have the information they need to determine whether they can trust a person or not. They need data, along with a system to evaluate that data and make decisions.

I've found a way to measure trust, studied trust building, and developed a strategy for cultivating trust that's worked

for me over the years. I think it could work well in open organizations, where building trust is critical.

The meaning of trust

"Trust" means confidence in a person or organization; the opposite of trust is suspicion and doubt. Here are a few factors that can influence trust:

- *A person's integrity or character*, which is typically constant in any situation.
- *A person's abilities or competence*, which is situational and depends on a given requirement.
- *The environment in which people work*. Whether you're talking about individual trust, trust within a team, trust between teams, or trust between management and workers, you should remember: in a toxic environment people do not behave the way they normally do, sometimes even regretting their behavior afterwards. Therefore, when evaluating trust, always consider the situation.

And, in turn, trust can influence the following factors:

- *Quality of work*. If there's a strong degree of trust within your organization, projects are executed faster, project costs are lower, collaboration and engagement are more common, and energy and excitement are higher. Without it, execution is slower, communications poorer and costs higher. Therefore, having a trusting corporate culture and building a

trusted network outside the organization is extremely important.

- *Communication.* In a high-trust relationship, you could say the wrong thing, and people could still understand your meaning. In a low-trust relationship, you could be very precise in explanation, and people could still misinterpret what you mean. Therefore, trust is extremely important, because it influences the amount of detail or context your conversations demand.
- *Perceptions of ability.* We all think we can do things that perhaps we can't—or do poorly compared to others. We should not blindly trust what people say about their abilities. Exploring evidence that confirms skills is more important and effective. You might do this by looking at a person's experience and past performance. You might ask for a testimonial from someone who has worked with that person.

The trust assumption failure

Too many people simply assume that people trust them—that they don't have to prove their trustworthiness to anyone. This is not necessarily true. In most cases, in fact, we must proactively establish trust and improve our trusting relationships with others.

Think of the problem this way: We judge ourselves by our intentions and others by their actions. And others judge us the same way. So we must increase those behaviors that will

improve trust quickly (even through small commitments). These small commitments (theirs and ours) will determine the level of trust between parties.

Furthermore, I've also heard people say that once trust is lost, it can never be recovered. That, too, is not always the case. No matter how low the trust level is, you can improve the level of trust in your relationships by using certain methods to create more trusting environments. You can even use some of these methods in conflict situations.

Yet in the midst of interaction with various people, forgetting to focus on generating trust can be common. Therefore, you may wish to step back and think about it more deliberately from time to time. I have worked on this and developed a measuring system that has worked for me.

Guides for developing trust

When developing trust, work from the "inside out." Begin with yourself, then evaluate trust at the team, organizational, and market levels. Here are a few checklists to get you started—questions you can ask yourself to evaluate the degree of trust in your relationships:

Personal trust

You have to know—and be honest about—what you can and cannot do, and you must make sure other people know that. If someone misjudges your capability, the open organization will suffer. So ask yourself:

- Do others see you as trustworthy?
- Does what you say match what you do?
- Can you be trusted to honor the things you intend to do?
- Can you do what you say you can?
- What is your performance history? Do you achieve the results you promised? Do your associates?

Relational trust

To assess trust at the interpersonal level, consider the following:

- *Be transparent.* How open with information are you? How open is your associate with you? Is the level acceptable to both of you? This is particularly important for uncomfortable topics. In situations with low levels of trust between partners, these topics are often avoided and problems persist.
- *Demonstrate respect.* Do you demonstrate that you care and respect your associate? Does he or she demonstrate care and respect for you?
- *Correct mistakes.* This is not just an apology. It is correcting a mistake. It is action that makes the situation normal and then moves it forward. Are you and your associate doing this? It can increase loyalty.
- *Give credit.* Regularly giving credit to others builds trust. Are you and your associate doing this?
- *Deliver results.* Do you do what you say? Does your associate? Doing it builds trust.

- *Improve.* When you learn something and offer a new service to someone, you become a valued partner to them. Surprising someone with extra value will strengthen the trusting relationship.
- *Confront reality.* When there are problems, it's best to quickly and openly discuss them—with courage, responsibility, awareness and respect (even though it is difficult). How much is this being done in the relationship?
- *Clarify expectations.* Both people should make their expectations as detailed as possible. Plans should be discussed and agreed on (possibly in writing as well as in conversation).
- *Be accountable.* By taking as much responsibility for the relationship as possible, you can strengthen trust. Also, confirm that others know what they're expected to achieve. Again, accountability by both parties is extremely important for trust to build.
- *Listen first.* Try to learn the other person's thoughts, experience, and point of view. Then, you will know why others do what they do and a more trusting relationship can develop.

Organizational trust

At the organizational level, trust is a factor of these concerns:

- *Integrity.* Does the organization need rules to maintain integrity? If a company's people have high integrity, rules are unnecessary.

- *Intent.* Are the goals balanced among all stakeholders (shareholders, employees, customers, suppliers, affiliates, etc.)?
- *Capabilities.* Can the organization do what it says it will? Does it even know where its limitations are? They must be exposed to their associates. There may be embarrassment, but trust can be maintained.
- *Demonstration.* Does the organization show trust to its own employees, customers, investors, suppliers, etc.?
- *Incentives.* Are there systems that give reward for building trust within the organization regarding sharing information, collaboration and decision making?

Market trust

Finally, within a whole market sector, you should consider the following points:

- *Brand.* Are your customers loyal to the company brand? In terms of quality, delivery, value for money, safety and after-sales service, does the public trust the organization?
- *Reputation.* This is a valuable asset or costly liability of an organization. It should have a system in place to protect the organization's favorable market reputation.
- *Market research.* A study could inform an organization what is expected of it to increase its reputation.

- *Social responsibility.* A global organization will thrive in society if it is honest in what it says, is open with the public, corrects its mistakes voluntarily and keeps its promises.

This system for evaluating trust might be very helpful when making major investments and determining comfortable risk levels in your organization.

Trust makes it all easier

Trust is one of the factors that has made my career easier over the years. As I have built a trusted network worldwide, I found that getting things done has become far easier and faster. This did take time, however, and there were mistakes. Fortunately, those mistakes were small—and great learning experiences.

In my experience in the automotive industry (and later, the construction cutting tool industry) I have found that it can take as long as a decade to really feel the value of trust, both professionally and personally.

So here's a question: Do you simply say "I don't trust someone"? Or do you say, "I don't have enough information regarding that person's ability, integrity, situation or attitude to determine if I can trust them. I'll probe for that information before I decide"?

Putting personalities to work

Learn your personality type to make peer-to-peer discussions and decision-making more productive.

Writing about collaborative, peer-to-peer teamwork in his 2015 book *The Open Organization*, Jim Whitehurst stresses the importance of:

1. Encouraging team members to speak freely and honestly
2. Encouraging team members to be courageous enough to differ
3. Selecting team members who are committed to achievement
4. Selecting team members with the willingness to be accountable for a group's decisions

Those are four critical aspects of peer-to-peer work in open organizations, but they all presume something even more fundamental: that everyone on the team will get along.

You may know your teammates' knowledge, desire, experience, and skills, and you probably understand that all these things are important for the success of both the

community and the goals you're striving to achieve—but that doesn't necessarily guarantee you'll work well with them. So, what do you do?

I've run into this problem before. For years, I've given vehicle sales seminars in more than 60 countries around the world, and I've experienced this problem in vehicle dealerships. Understanding cultural differences in each region, I struggled with ways I could help departments in the vehicle dealerships to collaborate more closely. (Specifically, I wanted to set up an interdepartmental introduction system that helped the Vehicle Sales Department, the Service Department and the Parts Department collaborate to increase customer satisfaction.) But, I couldn't get the departments to talk to each other.

Exploring personality types

Eventually, I discovered that each department had its own personality. People in sales tend to be very talkative; they like meeting lots of people every day. People in the Parts department like working with inventory numbers rather than people, as they forecast future demand. And people in the Service department like working with their hands, and quite often alone.

To get everyone working better together, I began studying personality types, prepared a presentation on them, and started giving seminars to dealerships jointly with these departments. Here, my main source of insight was the

Myers-Briggs Type Indicator (MBTI), as it transcends cultural differences and seems applicable in any region of the world. I asked people in each department to determine their individual personality types, and then to categorize the personalities of their teams. Then, I instructed each department to share their types with the other departments.

It was a big success, and the dealership departments started to understand and cooperate with each other much more.

Leveraging personalities

Here's what worked for me: I think it's best to have people determine their preferences and personality types first.

For example, notice the below questions:

What energizes you and gets you excited?

- Are you a person who draws energy from the outside world of people, things, activities or interaction most of the time? (Keywords: external, outside thrust, talks out, thinks of many things, involved with people/things, interaction, action, do-think-do)
- Are you a person who draws energy from the internal world of ideas, emotions or impressions most of the time? (Keywords: internal, inside thrust, hold back on comments, thinks deeply of few things, involved with own thought, work alone, reserve, think-do-think)

People who identify with the first question (and set of keywords) are mostly extraverts (E). People who identify

with the second set are mostly introverts (I).

Where do you put most of your attention?

- Do you prefer to take in information through the five senses, noticing what is here and now most of the time? (Keywords: *The five senses, what is real, practical, present orientation, facts, using established skills, utility, step-by-step*)
- Do you prefer to take in information through a "sixth sense," noticing what might be most of the time? (Keywords: *sixth sense, hunches, what could be, theoretical, future possibilities, insight, learning new skills, novelty, leap around*)

People who identify with the first question (and set of keywords) prefer sensing (S). People who identify with the second set prefer intuition (N).

What do you value most when making a decision or judgment?

- Do you prefer organizing and structuring information and deciding in a logical, objective way most of the time? (Keywords: *head, logical system, objective, justice, critique, principles, reason, firm but fair*)
- Do you prefer organizing and structuring information to decide in a personal, value-oriented way most of the time? (Keywords: *heart, value system, subjective, mercy, compliment, harmony, empathy, compassionate*)

People who identify with the first question (and set of keywords) prefer thinking (T). People who identify with the second set are better at feeling (F).

What do you show outwardly most of the time?

- Do you prefer living a planned and organized life and are strong on decision making most of the time? (Keywords: *plan oriented, regulate, control situation, settled, run one's life, set goals, decisive, organized*)
- Do you prefer living a spontaneous and flexible life and are strong on information gathering most of the time? (Keywords: *spontaneous oriented, flow along, adapt to situation, tentative, let life happen, gather information, open, flexible*)

People who identify with the first question (and set of keywords) prefer judging (J). People who identify with the second set prefer perceiving (P).

Armed with answers to the above questions, you can more easily determine your personality type. There are 16 types:

ISTJ	ISFJ	INFJ	INTJ
ISTP	ISFP	INFP	INTP
ESTP	ESFP	ENFP	ENTP
ESTJ	ESFJ	ENFJ	ENTJ

Once you're comfortable with your preferences and type, try to determine the type of that member in your group who's hard for you to work with. While working with that person, sprinkle a few strategic questions among project-related ones, so you can determine the personality type of the person working with you.

It's important to note that there is no "good" and "bad" type. Each has strengths (things those people are good at and like to use) and weaknesses (things those people are not so good at and don't like to use).

Keep it confidential and flexible

As you make your determinations, you might consider keeping them confidential. I do this, for example, because I'm only observing someone in a single situation, and don't want them to think I'm letting that situation completely determine how I perceive them. Sometimes, people behave in ways they consider appropriate for the situation, even if that behavior conflicts with who they are at heart. Some bosses might believe they need to talk a lot in meetings, for instance, even though they are really very quiet people normally. Also, I like to continue to make observations even after I think I've determined a type, so I make adjustments as conditions (and people) change.

Manage your interactions

Now that you know your type and have a pretty good idea of others', you can start managing your behavior to achieve the best results. In most cases, other people in your organization will thank you for doing this, as you can help them by doing things they might not like to do (public speaking for the Introverts, for instance). In the end, it will

make peer-to-peer discussions and decision-making far more productive.

5 steps to drive projects in your organization

How leaders can lead through change despite team members who'd rather stall it.

Purpose is the first thing to consider when you're assembling any team. If one person could achieve that purpose, then forming the team would be unnecessary. And if there was no main purpose, then you wouldn't need a team at all. But as soon as the task requires more expertise than a single person has, we encounter the issue of collective participation—an issue that, if not handled properly, could derail you.

Imagine a group of people trapped in a cave. No single person has full knowledge of how to get out, so everyone will need to work together, be open, and act collaboratively if they're going to do it. After (and only after) assembling the right task force can someone create the right environment for achieving the team's shared purpose.

But some people are actually very comfortable in the cave and would like to just stay there. In organizations, how do leaders handle individuals who actually resist productive change, people who are comfortable in the cave? And how

do they go about finding people who do share their purpose but aren't in their organizations?

I made a career conducting sales training internationally, but when I began, few people even thought my work had value. So, I somehow devised a strategy for convincing them otherwise. That strategy was so successful that I decided to study it in depth and share it with others in a Slideshare presentation.

Gaining support

In established companies with strong corporate cultures, there are people who will fight change and, from behind the scenes, will fight any proposal for change. They want everyone to stay in that comfortable cave. When I was first approached to give overseas sales training, for example, I received heavy resistance from some key people. They pushed to convince others that someone in Tokyo could not provide sales training—only basic product training would be successful.

I somehow solved this problem, but didn't really know how I did it at the time. So, I started studying what consultants recommend about how to change the thinking in companies that resisted to change. Indirectly, I learned from TBM Consulting an approach I could adopt: I learned that for the average change proposal, 83% of people in your organization will not support you from the beginning. Roughly 17% will support you from the beginning, but 60%

of the people would support you only after seeing a pilot case succeed, when they can actually see that the idea is safe to try. Lastly, there are some people who will fight any change, no matter how good it is.

Here are the steps I learned:

1. Start with a pilot project
2. Outsmart the CAVE people
3. Follow through fast
4. Outsmart the CAVE bosses
5. Move to full operation.

1. Start with a pilot project

Find a project with both high value and a high chance for success—not a large, expensive, long-term, global activity. Then, find key people who can see the value of the project, who understand its value, and who will fight for it. These people should not just be "nice guys" or "friends." They must believe in its purpose and have some skills/experience that will help move the project forward. And don't shoot for a huge success the first time. It should be just successful enough to permit you to learn and keep moving forward.

In my case, I held my first sales seminar in Singapore at a small vehicle dealership. It was not a huge success, but it was successful enough that people started talking about what quality sales training could achieve. At that time, I was stuck in a "cave" (a job I didn't want to do). This pilot sales training was my road map to get out of my cave.

2. Outsmart the CAVE people

CAVE is an acronym used by TBM Consulting. It stands for Citizens Against Virtually Everything.

You must identify these people, because they will covertly attempt to block any progress in your project, especially in the early stages when it is most vulnerable. They're easy to spot: They are always negative. They use "but," "if," and "why," in excess, just to stall you. They ask for detailed information when it isn't available easily. They spend too much time on the problem, not looking for any solution. They think every failure is the beginning of a trend. They often attack people instead of studying the problem. They make statements that are counterproductive but cannot be confirmed easily.

Avoid the CAVE people; do not let them into the discussion of the project too early. They've adopted the attitude they have because they don't see value in the changes required. They are comfortable in the cave. So try to get them to do something else. You should seek out key people in the 17% group I mentioned above, people that want change, and have very private preparation meetings with them.

When I was in Isuzu Motors (partly owned by General Motors), the sales training project started in a joint venture distribution company that sold to the smaller countries in the world, mainly in Africa, Southeast Asia, Latin America and the Middle East. My private team was made up of a GM person from Chevrolet, an Isuzu product planning executive

and that distribution company's sales planning staff. I kept everyone else out of the loop.

3. Follow through fast

CAVE people like to go slowly, so act quickly. Their ability to negatively influence your project will weaken if you have a small success story before they are involved—if you've managed to address their inevitable objections before they can even express them. Again, choose a pilot project with a high chance of success, something that can show quick results. Then promote that success, like a bold headline on an advertisement.

Once the word of my successful seminar in Singapore began to circulate, other regions started realizing the benefits of sales training. Just after that Singapore seminar, I was commissioned to give four more in Malaysia.

4. Outsmart CAVE bosses

Once you have your first mini-project success, promote the project in a targeted way to key leaders who could influence any CAVE bosses. Get the team that worked on the project to tell key people the success story. Front line personnel and/or even customers can provide powerful testimonials as well. CAVE managers often concern themselves only with sales and profits, so promote the project's value in terms of cost savings, reduced waste, and increased sales.

From that first successful seminar in Singapore and others that followed, I heavily promoted their successes to key front line sales department staff handling Isuzu's direct sales channels and General Motors channels that really wanted to see progress. After receiving their acceptance, they approached their superiors, citing the sales increase that occurred in the distribution company.

5. Move to full operation

Once top management is on board, announce to the entire organization the successful pilot projects. Have discussions for expanding on the project.

Using the above procedures, I gave seminars in more than 60 countries worldwide over a 21-year career. So I did get out of the cave—and really saw a lot of the world.

4 factors in open decision-making

A closer look at how open organizations can engage team members in making decisions.

In his 2015 book, *The Open Organization*, Jim Whitehurst presents "the OODA Loop," a model for decision-making that emerged from the United States military, where it originated as a model for making rapid decisions in combat. "OODA" consists of four stages: Observation, Orientation, Decision, then Action.

Clearly, decision-making is an important consideration in any organization. But open organizations refine the process. I think we should take a closer look at the decision-making process and how open organizations are making this process more efficient by virtue of their particular characteristics.

A decision's four factors

First, I must define a good decision-making process. It involves four factors based on the book, *Decide & Deliver*:

1. *Quality*: Does our decision successfully address a particular issue and actually resolve it? Does the

outcome of the decision match what we'd hoped for?

2. *Speed*: How quickly are decisions made and executed?
3. *Execution*: How efficiently is the implementation and execution process of the decision managed?
4. *Effort*: What is the expense of time, energy, and assets to achieve what was decided? Is it too much or too little?

Let me explain these dimensions in more detail.

1. Making quality decisions

A decision's status as a "quality decision" depends on several relevant factors: Was there a good analysis of potential risks? Were alternatives evaluated against the final decision? Did the decision take into account the ability to execute what was decided? As the trend toward open organizations grows, we will increasingly see front-line, engaged peers asking these detailed questions—not just managers. They will attack issues, come up with their own information, make their own decisions, and self-evaluate the results of those decisions. Information gathering is a skill, and the more these front-line peers participate in this activity, the more skilled they will become. They should learn to gather as many relevant and reliable facts as possible, and to make what facts they have as visible as possible for all to see and understand (transparency). They will learn to have robust discussions (collaboration) on these facts, which include multiple voices (inclusivity), and come up with decisions that all can both agree on and buy into. Armed with these facts and necessary

buy-in, they will be in a strong position when presenting their decision to outsiders or top management.

Over my career, I followed this method when it comes to information gathering. I tried to force myself to avoid early judgments. I tried to stay in an open-minded, information gathering mode as long as possible until it adversely affects reaching a timely conclusion. This has helped me come to a quality business decision.

2. Making speedy decisions

Decision-making speed is influenced by the speed of information one gathers, shares, and distributes to others. It is also influenced by trust; low levels of trust will slow the information-gathering process. Fast decision-making can save money and improve profit, so it is financially important. It can also improve customer satisfaction and employee morale. Considering the above benefits of quick decisions, a company can create a competitive advantage over slower companies if it devises ways to speed up the decision-making process. This is one of the reasons open organizations can be so powerful and competitive: Engaged front-line people see problems and implement action plans quickly; large corporations tend to be weaker in this area.

With the benefits of quick decisions in mind, I often try to determine if the decision can be modified later (adaptability). If it can, I push for quick decisions and keep a close eye out for the need for later modification. Open

organizations that really want to be competitive should explore using decision-making speed as a business competitive advantage.

3. Executing on decisions

This is the oft-forgotten part of the decision-making process. Who is going to put the decision into action? Are the abilities, skills, capacities, and assets available to execute the decision? Quite often it is excellent execution—not the brilliance of the decision—that creates competitive advantage.

Projects that incorporate no plans for execution will die quickly. To increase the likelihood of success, I like to create a Gantt chart of what must be done to completely implement a decision. Then I ask people about the tasks required for implementation, and determine the time each task should be completed. I put all that data into a chart and present it to everyone on the team. I then let the group discuss each task and allow them to decide for themselves when each should be completed. I finally have the group assign milestones to monitor progress. Ask directly: Who is dedicated to executing the decision according to the timeline you've established? Who will promote to get funding? Who will take political and career risks when making recommendations? Armed with the answers to these and other questions, the concern for decision execution will be answered.

With everyone following the tasks in the Gantt chart, members of your open organization can monitor the results of each task and make corrections as needed (transparency and adaptability). They hold themselves accountable.

4. Making the effort

Like execution, effort and resources allocated to the decision are often forgotten in the decision-making process. If not monitored carefully, your work can consume far more resources than the project warrants.

Here I am specifically referring to the time and resources a team spends throughout the decision-making and execution process. To everyone involved, what trouble is caused by the decision and execution? How much emotional energy is spent? Of course, completing a project means spending some resources—but those must not outweigh the benefits you hope to gain by implementing the decision.

You must manage this balance between time and resources—a process that itself could influence your work, considering the value of the project. Many have heard the expression "analysis paralysis"; sometimes, the analysis might not be worth the time, energy, and resources necessary to undertake it.

As these front-line, self-managed, open organizations become more common, I'm sure we will see the above decision-making process in action on a large scale.

Career and leadership building similar to startup development

We must continually reassess our aspirations, tap into resources within our networks, and creatively generate novel new opportunities.

I got to thinking about my own career and noticed some strategy similarities to startups. I just finished reading the book, *The Startup of You: Adapt, Take Risks, Grow Your Network, and Transform Your Career* by Reid Hoffman and Ben Casnocha, and it seems I'm not alone in seeing similarities in career strategies, leadership development strategies and startup strategies. I noticed that managing one's own career and establishing, promoting, leading and building a startup company have similarities.

As we have entered what Hoffman calls the "Age of the Inconceivable," the Open Organization Principle of Adaptability is considered most important with Collaboration, Community, Inclusivity and Transparency after that. It is a time in which unimaginable things happen again and again and again. Rapid change has become the norm. Also, we live in an environment where there is a great

deal of professional disruption, with careers and skills becoming obsolete very quickly. Therefore, to be successful in this environment of unexpected changes, we must be dedicated to our goals but be adaptable to radical market alterations. We must continually reassess our aspirations, tap into resources within our networks, and creatively generate novel new opportunities for ourselves. Also, as leaders, we must encourage others to do the same.

According to Hoffman, you should think of a company startup when it comes to managing and shaping your career, as both have to expand their networks, gaining competitive advantage and finding interesting opportunities. That sounds like better collaboration and community development, not to mention adaptability, to me. This all requires training and investing in yourself and mentor others to continually develop skills as well. Hoffman asked when creating LinkedIn “How does someone experiment broadly and build specialized expertise?” as he thought entrepreneurship is a lifelong idea, not a single business concept. It is a global idea, not a specific cultural one.

Portfolio careers

It may be necessary to fragment our careers into several different jobs in which income comes from multiple sources. This is the era of the gig economy, namely people working flexible, temporary jobs that one can opt in and out of at will. This will require people to diversify the way they network, invent, customize and experiment with different

professional activities, all leading to less risk and greater opportunities.

Consider independent contractors and consultants that have supplemental income projects along with a primary career. These people go out of their way to keep their clients and followers happy with their work. They do their own sales and marketing, which needs research and requires them to organize their own development teams. Therefore, leadership becomes extremely important and multidirectional.

Competitive advantage and rapid change

When should you consider productive time? When should you earn income? When should you consider what you like doing? While exploring all these issues, you have to envision what will be needed in the future and develop for it. According to Hoffman, the world is changing very fast, and you must recognize that and anticipate each small iterative step of that change.

To be competitive, according to Hoffman, you must separate yourself from others in these two ways: *having a rare skill or asset* and *having a valuable skill or asset*. Consider if you are faster, better, or less costly than others within any work related activity. What assets do you have which are rare and valuable in your specific niche field of expertise? Consider these two asset types.

Hard assets are physical, including money, and having them is important. When you need time to study or develop a skill and don't need to work to survive, these physical assets are helpful. They are reserves in case of crises. They do have limits though. You can get by but not necessarily have a successful, interesting and exciting career. I saw a study years ago that concluded that if you have US\$100,000 in the bank and all debts for homes and property paid for and have a strong feeling of financial security, each additional dollar you received and saved after that has reduced value to you. From that point on, having more hard assets will make you less happy, as you may start losing friends that care about you.

Soft assets are the brain power, skills (including leadership skills), contacts, reputation, energy and desires you have. Consider the knowledge and information you have and your professional and trusted connections. You should attempt to expand on these soft assets throughout your life. Initially, these assets are hard to visualize and present to others, but they can be clearly demonstrated over time. Soft assets are more important than any specific passion. You are looking for valuable, needed, marketable soft assets that you enjoy doing and want to develop further. This will lead you to purpose and mastery, which in turn will evolve into excitement. This is what happened to me when I started giving sales seminars. I grew to love it, and through that love, those seminars grew in demand. Unlike hard assets, soft assets are only limited by your imagination. How can

you fully apply them? How strong is your desire to develop these assets and learn? Think about what you find easy to do with your skills, experiences and connections that others find challenging. That is where your greatest soft assets are.

Where do you look for your soft assets?

Skills	Aspiration	Market needs
What is easy for you to do but hard for others? Often, finding your skills will bring aspirations.	What do you care about and want to do something about it?	What industries are growing and have underserved needs? What newly developed products/technologies will create needs in the future?

Pick any industry that is growing and has a positive future. Industries that Hoffman calls “growth loops,” where both current and future needs materialize at the same time.

1. Pick a company, community or network within that industry that satisfies those needs.
2. Pick a job that has needed skills within that network that matches your skills and desires. This might require working 24/7 for several years to make sure people rely on you to satisfy that need.

Chase’s Plan ABZ trial-and-error plans

All plans must be followed to the point where they are no longer productive or worthwhile. When original plans fail, alternative plans should be ready and quickly available.

According to Hoffman, you should explore three career-exploring plans:

Plan A: What you want to accomplish right now. This plan's purpose is to help develop your current competitive career advantage.

Plan B: What you do if Plan A is no longer in demand or worthwhile. You will have to anticipate changing factors and know exactly what adjustments or modifications to apply. It might be working on a slightly different skill or approaching completely different organizations. This requires playing with and experimenting with various second choice options. You could find new professional support, increase tasks or add extra resources. Plan B is the best of all modification options. To find your Plan B, consider what will change in the coming ten years and what will stay the same. Possibly what will stay the same is where your Plan B will be spotted. You either change your goals or change the process you use to achieve the same goals. Once you pivot to Plan B, it becomes your new, improved Plan A and you have to develop a new Plan B.

Plan Z: What you do if all plans become unviable. Due to unforeseen, disruptive business shocks, this is what to do if all plans fail. You must have a last resort plan to remind you that total plan failure might not be as bad as you think, which will reduce the chance of developing paralyzing fear of making important decisions. It is the lifeboat that will provide you vital time to regroup. It is implemented only so

that you can survive in the worst possible business environment.

Starting Plan A

To get started on your Plan A, you could just pick up a side job around a career you might be interested in to get to know people and their tasks. Also, you could do things for free within that field to build trust, demonstrate dedication or amplify your skills. Remember, your Plan A could be improved and iterated regularly, as you progress toward it. It is exploring what you would like to do right now.

Hoffman thinks you should ask three questions to make sure you are not randomly wasting a lot of effort.

1. Has your soft and hard *assets* changed to the point where it is time to change? I believe I am now skilled at __ and have the required resources to support me while getting comfortable with that new, desired position.
2. Has your desires and *aspirations* changed to the point where redirection is appropriate? I now believe I find meaning in __.
3. Has the working *environment* and the market needs of what you want to offer changed to the point where you must redirect your efforts? I now believe the market for what I want to provide carries very little current value. I must work toward doing something else.

Finding Plan B

The answers to the above will make explicit whether your current assumptions and hypotheses are right or wrong. Plan B should be explored when Plan A is no longer worthwhile. Minor concerns should not be enough to abandon Plan A. Use this process:

1. Test your hypotheses against reality on a trial-and-error basis. Study new and interesting concepts to generate options in the future. Try something new and work with recently met people to generate new experiences in niche adjacent occupations. This is not wasteful random exploration, but targeted to confirm or modify assumptions and aspirations. This exploration should be conducted concurrently with your income earning activities.
2. Then, think about those options against your strengths and weaknesses. Where could your strengths be used?
3. After evaluation, form a plan around these thoughts:
 1. I believe I am now skilled at __ which I can utilize for this plan.
 2. I now believe I can find meaning by pursuing this plan.
 3. I now believe society needs will be served by this plan.

Plan Z's importance

Plan Z defines what to do if all fails. What if your Plan A is no longer workable, Plan B is unfeasible and you have no idea what to do next? Whether it is a new startup, a job change consideration, an investment in a new project, a family member illness or some other massive disruption, how do you adjust? When all plans collapse, will you move home with your parents (relatives, friends), sell your house, or get a part-time, gig economy job? You could set up a savings account to support you if all plans collapse, to give you time to rethink and rebuild. Discussing this with your parents and loved ones in advance will help to generate Plan Z ideas. You might have to change your diet, sell less used assets or take your children out of expensive schools for a period of time. After thinking about it, you will notice that you can at least survive, which reduces a lot of stress.

Plan Z is only the lifeboat to give you time to adapt when disaster hits. It is not a long-term plan. Time is required to pivot, redesign and develop both a completely new Plan A and Plan B. Plan Z offers that time required.

Plan Z's greatest value

If you are prepared for the worst scenario, the fear of failure weakens for both Plan A and B. Fear tends to focus people on the ideal goals and objectives only. If the fear is reduced, it allows people to explore other opportunities as the project progresses. One's attention should be on Plan A most of the

time, but also having a Plan Z is vital. You only move your attention to Plan B when you're forced to as Plan A becomes impossible. You move to Plan Z when you're forced to, as both Plan A and Plan B become impossible.

But, having a Plan Z, you can aggressively pursue the upsides of Plans A and B and mitigate against possible downside risks of them.

This is true for leaders as well, as they have to know when to continue promoting their team's Plan A, or pivot to Plan B and explain why to their team that all has failed. The team has to try to support each other and rethink how they can get back on track.

Plan Z is the most certain, reliable, and stable plan if all your career plans come unglued, or you have unforeseen, major life-changing events. This plan allows you to better withstand the uncertainty and risks of your Plans A and B. If you work on all three A, B and Z strategies, you will be under less stress and more ideas will come out. Under stress, creativity weakens.

To give you an example of this, let me get personal: I worked in a Japanese automotive company as an overseas sales trainer for 21 years. The company had financial problems around the years 2000 to 2001. I know that I would have to do something, as new products were drastically delayed and my training budgets greatly reduced. So, while working, I started looking for training positions within the automotive industry worldwide (staying with Plan A, training in the

automotive industry). That produced no positions, as all companies were suffering, so I started to look at overseas market development positions within the automotive industry (slight modifications to a Plan B). That too produced just a few interviews. With the company suffering, I was offered an early retirement which gave me a few year's salary (I was in Plan Z, and had to rethink my entire career). After four months of looking, I found a position in the construction, cutting tool industry. Although I knew overseas selling processes, the industry was totally different, I lost my customer base in the automotive industry and had to learn new products and a new market. In that job, it took me two years before I built a new customer base and became fully productive.

Building a career plan support network

Once you get your A, B and Z Plans prepared, where do you go to get help to implement them? I will talk about that in the second part of this discussion on career, leadership and startup development.

Developing a world-class professional contact network

Your network can be your greatest source of information and guidance.

Let's take a look at building networks to help you develop, based on the book, *The Startup of You: Adapt, Take Risks, Grow Your Network, and Transform Your Career* by Reid Hoffman and Ben Casnocha.

Building unexpected communities

According to Hoffman, you can break down your contacts into three types of people:, high-trust allies, friendlies, and social media followers. These three could generate unexpected communities and career opportunities that show up without warning.

Let's look at each of these three relationship types.

1. *High-trust professional allies:* These are people you successfully work with, or you have or had a common project with. You want to expand on that success. To do this,

you want to make sure your allies receive benefits, not just you.

Sometimes, they are just career sounding boards to kick ideas around, advisors with specialty expertise or advocates that have a reputation which could be valuable to guide your advancement.

It is good to have about eight to ten of these types of contacts that you regularly touch base with for advice, as you can confide in them and trust their judgment. They are good people to collaborate with on a wide range of opportunities, as they are attuned to your interests, as you are to theirs. Both of you have similar visions and are willing to cooperate with each other, which is important in leadership positions as well.

2. *Friendlylies*: These are weak ties or acquaintances that you are occasionally in contact with but live in different worlds. You could meet them once a year at trade shows or only on-line, for example.

They are outside your close inner circle but can bring you insight and contacts that can be extremely valuable. Therefore, they could be very helpful when developing your alternate adjustment plans (Plan B that I mentioned in the first part of this article), or worst case scenario plans (Plan Z from that article).

The broader this “friendly” network is, the higher the chance of opportunities being directed to you. You might have a hundred to a thousand of these contacts, depending on how

sociable you are. If you ask these people for introductions, you might be able to reach millions of people. To request introductions right, you must make sure the person knows the value of the introduction to them too and the person you are to be introduced to. That way value can be generated for all concerned. Sometimes it's best to not ask for anything, but inform them how you can help them. The value to you could come indirectly at a later date. Try doing this at least once a month.

3. *Social media followers*: These are the people that follow you on-line, which could include the other two contacts types above. They can generate passive income for you, income that can be earned while you sleep. Think of the people that follow you as a non-financial version of passive income, or passive career capital. When you publish something on social media, you get attention, which exposes a lot of people to your on-line career image and abilities without you having to put in much effort to interact with them. Many professions benefit from building an on-line image, like consultants, coaches, business executives, academics, and innovators. This could lead to speaking engagements, job opportunities, book deals, and most gratifying of all, the chance to share hard-won wisdom and experiences with lots of people. All may benefit, and you gain recognition in your field.

According to Hoffman, good entrepreneurs are always building their networks by recruiting people with diversified skills, experiences, knowledge and acquaintances. This

multiplies opportunities to apply their skills, information and community. If they forward your information, postings and activities, your image grows without any effort on your part.

Relationships matter

Hoffman believes that relationships shape who we are and who we become. Behavior and beliefs are contagious and spread with human interaction. With people we contact, we pick up emotions and excitement, imitate their actions and absorb their values and insights. If our friends get things done, so will we. Furthermore, through these relationships, leadership is born.

Our cities, companies, organizations, families and society at large, are collections of different people who shape us. Therefore, considering how we want to be shaped, we should be very selective in choosing who we build relationships with. Research has shown that a business team will tend to perform at the level of the worst team member. Our success will depend on not only our capacities but the capacities of our networks and the communities around us. Having said that, productive networking is building reciprocal relationships where all benefit.

Sharing experiences is everything, as the more you and your network benefit. The higher the quality of your network, the more you will grow. If you hang around with people that want to get things done, you will more than likely achieve

more than if you are in a group that just likes to complain, attack others and avoid the hard work of seeking solutions. Therefore, the individual skills, experiences and knowledge of your network are important, as it can multiply your achievements.

According to Hoffman, in order to successfully network and build a quality community, you have to do two things: First, you must look at issues from the other person's perspective and understand their needs. Second, with that understanding, you should explore how you can help them and how they can help you. By helping them, directly and indirectly, you will benefit as well. You have to ask, what is in it for both of us? If done well, this process should be energizing for both and fun.

Try to avoid initially asking what others can do for you and your community, but consider your potential value to them. The value to you could come later, long after you've proven your value to them. After that, you could consider asking for something that is of little sacrifice to them but very beneficial to you. That way, jointly, the two of you advance through learned shared interests.

Serendipity, curiosity and frustration

With curiosity and situational frustration, extreme alertness to opportunities can develop. You can develop this curiosity by hanging around people that are also curious and frustrated with similar issues as you. That is why I write

articles like this one—to attract people that want to improve things.

You don't learn curiosity, but it can infect you, depending on the people you interact with. They lead you, and you lead them toward solving issues. They aren't just complaining, but exploring why things are the way they are and how improvements can be made. In this environment, rewards can come unexpectedly, suddenly but sometimes well in the future. Opportunities will grow over time through ideas, curiosities, and experiments that teach you things about your field. From this, serendipity materializes. The more you explore, the better you get at exploring ideas, as to where ideas are, how ideas develop and why they appear.

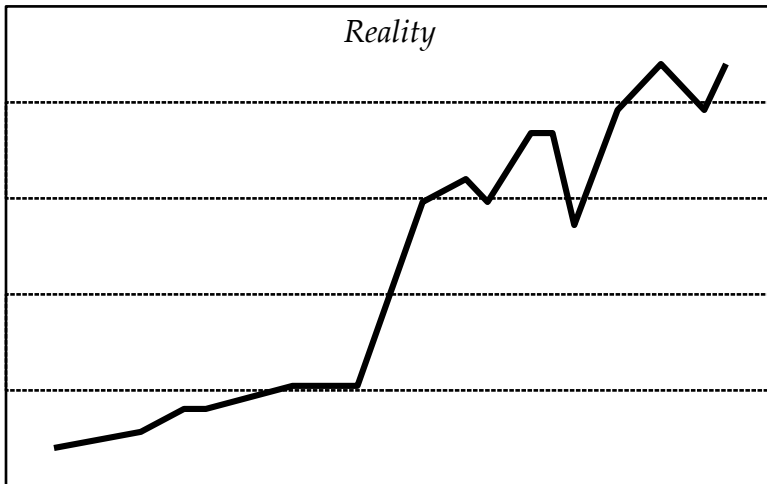
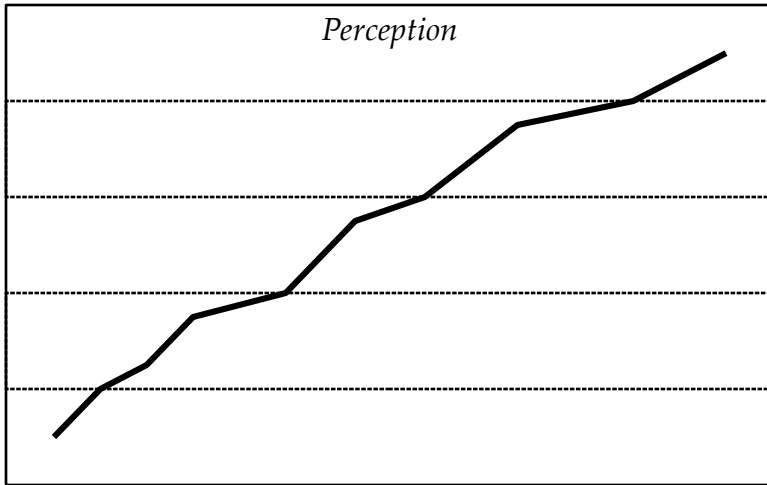
This is how “serendipity,” those accidental good fortunes, come to the surface. They could even come out of unexpected setbacks. Hoffman writes, “Serendipity isn't like winning the lottery. Serendipity involves being alert to potential opportunities and acting on them. You have to cultivate them.” I call these “weak signal opportunities” which I have spotted over my career. It comes from a wide range of concept exploration with other people and in different places. It is not waiting for things to just happen. With these activities, you can increase the quality and quantity of opportunities.

Exploring like this takes work, and you should reward yourself for having an active day of contacting people and asking thought provoking questions, even if you can't see

immediate results. That should be a form of success and is something you can control and should celebrate.

Don't expect direct, immediate returns. Opportunities will grow over time with exponential growth and plateaus along a continual life-time of experiences, often stumbling upon the person or idea that exposes the opportunity. Simply seeking out more information than your peers can create those opportunities.

Notice the below. This is the reality of our opportunities' timeline on the bottom, which is unpredictable. Slow and steady progress doesn't exist in the startup world. There are starts and stops, setbacks and then exponential growth.



Predictable growth (top) versus unpredictable exponential growth (bottom) [adapted from page 171 in the book, The Startup of You]

Strategic serendipity

Practicing what Hoffman calls a two step “strategic serendipity” in your career (or startup) increases your

chance of producing moments of explosive opportunity.

1. *Increase your curiosity of what is going on.* Then, collaborate and share far more than others do.

2. *Hustle and expose yourself to random, unexpected experiences.*

People with good ideas and information tend to hang out with each other and kick concepts around. Seek out those people and create communities both in person and online through websites like Nextdoor or Meetup.com. You could even turn to alumni or any past employment groups. Think about the company you want to work for. Don't just talk to their HR people and tell them what you'd like to do. Best is to directly ask current employees in your desired position what they're up to, and see where your skills might be helpful. From there, opportunities might come out.

Hoffman notes that high-quality people tend to form a common bond. They have an ethos of sharing and cooperating, and people with certain expertise tend to attract each other in a single region or industry. They form informal gatherings that are focused on specific issues. You have to find that region and industry that interests you.

Risk

Uncertainty (which is uncomfortable) and risk are not the same thing. Just because there is uncertainty doesn't mean it is risky. Just think of what others believe as dangerous while you think it is an opportunity. Your situation and/or resilience are different from others. Also, the other person

might be too adverse to risk. Often people overestimate the threats, underestimate the opportunities and don't fully realize the resources one might be able to apply to overcome the risk. Simply, potential risks get your attention faster than opportunities do. You (and your team as a leader) must work on overcoming these negative biases.

Further, short-term risks can lead to long-term learning, opportunities and stability. To reduce the chance of being too risk-averse, ask yourself and your team this question: "Could you tolerate the outcome if the worst-case scenario happened? (Yes or No) Would it be career ending or just force you to adjust? Would it be just embarrassing or crippling? Can you develop a plan for the worst possible outcome? If you can, it might be worth taking the risk when pursuing a major opportunity.

Having said all that, to make a quality, intelligent risk evaluation, as I mentioned in the Part 1 of this article, you must establish both a Plan B (a slight deviation from your main plan, Plan A) and a Plan Z (the strategy you take when all else fails). You want to contain the downside of your plan and maximize adapting and learning.

Create a Plan Z with risks in mind

Research psychologist Gary A. Klein developed a method called "Premortem" to explore potential reasons a startup could fail. Here are the steps of this method:

1. The leader invites key decision-makers to attend a risk exploration meeting.
2. He asks the members to think one year into the future and imagine the project as a complete failure.
3. With that complete failure in mind, each member, without discussion with other members, takes five to ten minutes to write down on a piece of paper the most probable reason the project failed.
4. The leader collects all the pieces of paper.
5. Without giving names, the leader reads each failure reason. What he is trying to discover are factors or events that can happen which destroys the startup, but no one thought about it or planned for it at the time of project approval.
6. Considering those reasons, a Plan Z can be developed with the considered potential of each risk happening in one year.

Through this exercise, the team increases the knowledge of what could happen. Without this exercise, the team has no idea what potentially could happen, and they can not prepare for it.

Plan for shocks

Under emotional stress, you don't rise to the occasion and perform at your best. On top of that, you only rise to your highest level that you trained for beforehand and practiced handling. Whether you are just an individual or the leader of a team, you must prepare for and practice handling worst-

case scenarios. All jobs or start projects have volatility features. When implementing opportunity-creating strategies, consider worst-case scenarios. To consider them, you could join or create discussion groups, take on side projects, etc. Network, interact and collaborate on potentially needed iterations.

Whether in the economy, business industries, international relations, crime, or the job market, people have to adjust to “Black Swans,” unpredictable or unforeseen events that have extreme consequences. In any situation, small countermeasure plans to avoid overdependence, vulnerability or risks will keep you more open to the appearance of opportunities.

Specialty experts, your experts, general intellectuals

Looking at your network and team members, what expertise do the people in it possess? Hoffman presents three types, specialty experts, your experts and general intellectuals.

1. *Specialty experts*: These people have specialty expertise in your areas of interest? These people are directly involved and have knowledge in what you’re interested in. They are frontline people with direct experience in that field. Learning from them can be extremely valuable to you, even though what they say could be very obvious to them.

2. *Your experts*: These are people that know you well. They know your professional strengths, weaknesses, desires and what you absolutely dread. Sometimes, they know things

about you that you are not particularly aware of. Their guidance can be very helpful, if you ask them what they think your strengths are. Also, if you are a team leader, ask what all the members desire and what they hate. This will help you guide the team.

3. *General intellectuals*: These are people that have wide intelligence and have a wealth of knowledge and experience. Talking to these people could guide you in directions you had never considered.

Noticing these three types of people, how strong is your network? Your network can be your greatest source of information and guidance. The co-workers, business colleagues, allies, friendlies, followers and distant connections can be like sensors that alert you and focus your attention.

Openness is a continuum: when to compete or collaborate

Enabling collaboration and cooperation requires effort and hard work.

I've worked in both large public corporations and small privately held companies, and I've noticed that one of the reasons some companies manage to become larger is their ability to cooperate with others. They possess a strong ability to cooperate with customers and help them solve their problems. They work closer with suppliers. They jointly develop products with outside organizations (like universities, governments, and other institutions). Because of that ability to cooperate, they grow both organically and through successful mergers and acquisitions.

On the other hand, however, some companies actually pride themselves on remaining independent from their customers, suppliers, and development institutions. That desire to stay independent weakens their potential to grow. But, in some cases, this is the best action strategy. Being overly competitive can lead to negative behavior, but that doesn't mean competition itself is entirely bad. In many cases, it can

be highly motivating for all parties (here, professional sports show the value of competition very clearly). Cooperation and competition must be balanced and one should know which approach is most appropriate in a given situation.

So, when should an organization cooperate and be more open, and when should it go the independent, closed route?

Partners or competitors?

When I was working at Isuzu Motors, I learned of several cooperative projects with competitors in Japan. Isuzu jointly developed diesel engines for Honda vehicles in the UK, even though they were competing against each other in the passenger car market in Japan. Nissan Diesel and Mazda bought light-duty trucks from Isuzu and named them differently for the Japanese truck market, even though Isuzu was selling the same vehicle in that market. Large corporations know how to find partners among their competitors. How did they do that?

Collaboration and cooperation require effort and hard work, particularly internationally. Here are some guidelines when deciding which is best, based on the book *Friend & Foe: When to Cooperate, When to Compete, and How to Succeed at Both* by Adam Galinsky and Maurice Schweitzer.

1. *Problem simplicity.* Is the issue at hand simple and easy to solve alone? If the project is so simple that any individual can do it alone, then opening the problem to the public and gathering advice in this way isn't really necessary. Doing so

just isn't worth the effort. But if the problem is very complex and you don't have all the answers, being open and exposing the issue to many people with the skills, experience, and expertise you require would be the best strategy.

2. *Human relations importance.* If you want to build a long-term relationship with someone, exposing that person to a shared problem or project might be the way to build that relationship. On the other hand, if you are not particularly interested in building this kind of network, going it alone would be easier and simpler.

3. *Knowledge of solution.* If you possess all the knowledge you require in order to address the issue at hand (even if it is very complex), being closed and handling it on your own would probably be best and most productive. On the other hand, if it is an issue that you know very little about, being open and seeking outside support would be more appropriate.

4. *Project process and duration.* Can the issue be solved quickly and easily? If so, just addressing it by yourself might be the best approach. But if resolving the issue or solving the problem will require a longer period of time—and involve many tasks and milestones along the way—perhaps being open to outside help at many stages may be the secret to success.

Openness is a continuum

With this set of criteria, we can begin analyzing certain issues that organizations typically face and determining the conditions under which open and closed approaches will seem more likely. Of course, these two options are not mutually exclusive. Instead, imagine a continuum. On one end is complete openness, transparency, and collaboration; on the other is completely closed, secretive, and insular activity. Almost every approach will fall somewhere in the middle.

Let's examine five areas: resource allocation, domain knowledge, project duration, and growth opportunities.

1. Resources

In one case, both parties are trying to get something they both greatly need, but that "something" is in short supply. Therefore, they tend to push for all they can acquire. The parties are therefore more likely to lean toward competition. In the opposite case—an abundance of supply—both parties generally attempt to share available resources; they're not threatened if they do not get them.

When people are struggling to acquire resources, they tend to act in their own interests first and have difficulty identifying others' concerns. For example, when I was conducting sales training, I could sense those sales people experiencing financial difficulties. They couldn't pick up on the needs and concerns of their customers, as their own

needs were so powerfully overwhelming. They tended to be closed and act competitively.

2. Importance

What is the cost of a project's failure? What are the rewards of success? Are they great, small, or nonexistent? Some projects can fail but have little impact to a company's critical functions, so simply investing the minimum amount of resources, time, and energy would be appropriate in this case. A closed, quick decision and execution would likely be best.

But if all stakeholders agree that a project is very important and no one can just walk away from it without serious consequences, greater cooperation and in-depth communication would make it successful.

The issue of power is also critical here. In some cases, one party has a great deal of power over others; the outcome of a project won't affect its operations as much as others'. So this party is in a position to make demands or act more competitively (if overly forceful, though, the weaker party might just simply walk away and seek other partners). On the other hand, if both parties have equal influence over the other (because a success or failure affects them both equally) then together they both can be successful. Without an agreement, they will suffer similarly.

3. Knowledge

If both parties have the same expertise regarding the issue or problem, they're more likely to be very competitive in a joint project. On the other hand, if all parties are bringing very different (but equally necessary) expertise to the project, greater cooperation could develop because the approaches better complement one another. Determining those complementary tasks is then the first step toward better collaboration.

4. Duration

For projects that can be completed quickly, one party can likely complete the work on its own. There may be no need to find collaborators to help complete it.

But if the project involves many tasks over an extended period of time, one party might not have the staying power to complete it. Therefore, the longer the time required and the greater the chance of delays, the greater the need for partnership and cooperation.

Moreover, if the project at hand is one that, once completed, will not lead to additional projects or activities, then both parties will likely try to acquire as much as they can in a single engagement, as they assume getting as much as possible now would be the best strategy. For example, say I want to buy a specific piece of land in a faraway location for a client I'm representing and will most likely never work on that kind of project again. I'm more likely to act

competitively and push for the very best purchase conditions for the client.

On the other hand, if the first project will lead to many other even more important and profitable projects, then both parties will more than likely try to gain equally from this initial project and concern themselves with benefits they can provide to other parties. They will try to make sure other parties are satisfied not only with the project but also with them, as this will affect the success of future projects.

5. Growth

Small, somewhat successful businesses can survive by purely competitive effort, but growth potential is restricted if (as I mentioned earlier) they too greatly value their independence (being closed to outside partners). But, if a small company wants to grow in size, particularly to the IPO level, cooperative skills will be required to grow. A more open approach will be necessary.

This analysis should help you begin thinking about the factors that influence you, your teams, and the parties with whom you interact to be competitive or cooperative in certain situations. In most cases, the situation involves some combination of all these factors. As I mentioned above, being open is a continuum. In the second part of this series, we'll discuss a few specific cases where these factors come into play. Then we'll be able to better clarify the ideal strategy for any project.

How collaborative will you be?

Factors that contribute to someone's attitude toward either cooperation or competition.

Leaders face several factors that can influence someone's decision to approach a project or problem with either a cooperative or competitive mindset. I'd like to present a few scenarios that illustrate the ways these factors can interact to shape specific instances of collaboration or competition.

But first, let me recap with a few factors that can influence someone's approach to openness. For example:

- Problem simplicity (whether the issue was simple or complex)
- Human relations (whether or not human relations were centrally important to the effort)
- Knowledge of solution (whether you had expert knowledge of the issue or had little knowledge)
- Process and duration (whether the issue would take a great deal of time or could be accomplished quickly)
- Resources (whether the project required a great deal of resources or few resources), and

- Importance and potential impact (whether the project was extremely important to both or one of the parties or not important to either).

To better explain how all these factors contribute to someone's attitude toward either cooperation or competition, I want to offer four scenarios for analysis. Hopefully these scenarios speak to similar situations in which you've found yourself.

Scenario 1

Imagine I've entered a store I've never visited before and found something rather rare, something I've spent a long time searching for. Here we have a situation that contains a single, focused project (get the item), one that revolves around something scarce (the item is difficult to find), and one that has value primarily to me (the item has personal relevance). In this case, I would probably compete as much as possible to get that item. Being open and cooperative would require too much work and offer little benefit to me.

Scenario 2

Imagine I'm a truck salesman at a local dealer involved in truck sales, service, parts, leasing, and rentals. A national transportation company with a fleet of hundreds of trucks comes into the dealership to rent a truck for a few days (as one of its trucks is in our service department being repaired) and the firm can't use it for its deliveries. Knowing this

single truck rental could lead to a wide range of other services and sales (like new truck sales, used truck sales, parts sales, service contracts, etc.), I will more than likely do everything I can to surprise this customer with added service while solving this single delivery problem (for example, I could offer to train the driver on how to get better fuel economy and maintain the vehicle's value, provide training to their vehicle maintenance staff to improve and expand their repair skills, establish a parts delivery program for them, or even introduce this transportation company to potential future customers).

In this scenario, we have a project that could lead to multiple future projects (so future projects are possible), one that will make me dependent on many people with whom I'll be working (greater importance on human relations), and one in which I will have to share a wide range of resources (which are rather abundant). So in this case, being more open and cooperative would be more important. What I want to do is convince this new client that working with our firm can be extremely valuable long-term. I want to build a lasting relationship. To be successful though, I will need the support and cooperation of many people in the dealership and must depend on them for certain tasks.

Scenario 3

Imagine I work for a very profitable Japanese computer component manufacturer in Japan and have a great customer prospect in the United States. The Japanese

company needs this customer badly, as this business could, in turn, help the company build a reputation that may lead to business globally (doubly important because—in this scenario, anyway—the Japanese market is in a period of decline). The United States (US) customer loves the product, but demands that there is a local service company to handle all service, replacement parts, training, and other support to make sure all after-sales issues get addressed quickly. The Japanese company thinks establishing a US company would be too risky and costly just to supply only this one new customer. So it has to find a local US-based partner it can authorize to handle all after-sales concerns. This might take as much as a year to set up; it requires a close, peer-to-peer, long-term collaboration with both the customer and the service supplier. Here we have a scenario in which my company needs a lot of help with a project that absolutely must succeed. Solving the problem requires multiple stakeholders performing different types of tasks. Plenty of resources are available to us, as we develop a solution. So being open and cooperative would be vital for success. More than likely, the work will have to start with very small, simple tasks that lead to more complicated issues (so all the parties get to learn how the other companies work). It would be best if the hierarchies of all three companies were very flat and the front-line people had the authority to make decisions and give suggestions. All this cooperative work could lead to decades of expanded business, so it is worth the effort—at least, it has been for me when I've worked on similar projects in both the US and Europe.

Scenario 4

Now imagine this: You have a project that is so important that you have to cooperate and can't just walk away. But the other party is using manipulative, deceptive, and closed tactics to influence the outcome of the project. The party is avoiding disclosing details, ignoring probing questions, giving vague responses to your inquiries, and offering few suggestions. What should you do? When a project needs a great deal of cooperation to be successful, but one of the parties is not willing to be open and cooperative, I recommend—at least, initially—mimicking that style. Then, slowly and together, try to move gradually toward open cooperation and collaboration. The "closed" party likely believes that using those tactics will be the most beneficial, but that party must be convinced that a more cooperative approach would actually be more powerful. Once someone sees you working openly and doing it well, that party will see the weakness in the closed style. Once you see your partners moving to greater openness and cooperation, you can do the same. Note that this could occur in just a few meetings or take years to evolve.

Conclusion

I've covered many factors that can influence someone's approach to competition or collaboration. What I recommend you do for any project is to construct for yourself a diagram with "Competitiveness" on one side and

"Cooperativeness" on the other. Then take the factors I've mentioned over these two articles and determine the "weight" of each one in your situation. Hopefully, then, you'll be able to visualize the best level of openness for the project at hand.

Building startups in developing countries

With the advances in information technology, startups are becoming more viable in local and worldwide markets.

I've traveled to many of the countries in Africa, Southeast Asia, Latin American and South Asia, and I want to explore how startups can approach the developing world. How could entrepreneurs and organizational leaders conceive of a startup and then build and lead a team to penetrate those regions profitably?

Years ago, I read the book *The Fortune at the Bottom of the Pyramid* (BoP) by C.K. Prahalad. The book presents the fact that there is a buying market among the 4 billion people who live on less than \$2 per day, and if done right, startups could serve them. With that huge population, they have \$5 trillion in purchasing power. The book presents many case studies of successful business projects and products marketed. What I did was to try to apply the "Blue Ocean Strategy" framework to this market, and gave a presentation called "Penetrating the bottom of the pyramid markets," as that strategy promotes going into unexpected markets and staying away from direct competition.

Just recently I read the book *The Business of Changing the World* by Raj Kumar. He tries to bring government sponsored AID, philanthropy and local business startups together to accelerate the reduction in global extreme poverty. He mentions early in the book that most people working in this field don't even feel they are in the AID industry, but healthcare or education. Or they are within some particular institution, like UNICEF. They don't know the overall industry and what is going on outside their specialty.

One of the key things Kumar tried to do is explain what he calls "social enterprises" which have the core goal of serving people in extreme poverty. Another point that Kumar tries to stress is that good intentions are not enough. Investments of time, energy and resources must effectively and efficiently deliver direct, measurable results. Leaders have to monitor those factors to generate the greatest local, developing world impact.

Up until now, UNICEF, the World Bank and Oxfam addressed the above issues, but as time goes on, billionaire philanthropists, technology disruptors and social entrepreneurs will increasingly get involved. They will play an increasing role in global development, global health, humanitarian aid and environmental sustainability.

The end of charity

According to Kumar, 10% of all the people on the planet live in "absolute" or "extreme" poverty. That means they struggle to stay alive every day. That group is the target "customer" of our startup. This addresses issues like food availability, physical security, environmental destruction, educational access, childcare availability, health services availability, communication ability, community support, and many others, and through a startup, a leader can motivate people to care about those issues.

New startups now have technologies like internet connectivity, biometric identification and mobile banking that can address those issues. By applying those resources, a startup can determine what is working and making the greatest impact to improve lives and what is not.

Kumar mentions three transitions in the aid industry which leaders should consider:

1. A move toward more involvement by not just governmental aid agencies, but also by billionaire philanthropists, for-profit businesses, social entrepreneurs and wealthy investors.
2. A shift from an overall distant model of aid to a more granular frontline, localized model. This is where individual needs and detailed activities can be observed.
3. Funds are more targeted and tailored to individuals and communities and are iterated along the way with

continual feedback.

In the future, there will be a shift away from distant, good intentioned charities. Furthermore, in the future, there will be more monitoring and measuring of local impact results. This is where hands-on leadership is required.

Kumar states, "Old aid said: give things away for free. New aid says: where it makes sense, give things away for free but do so in a targeted manner." It is a long-term strategy to get local economies active, working and improving on their own and learn what's holding each local community back. Startup leaders must look at each community very carefully and present what they have learned to their startup members.

Noticing the above, the name the "AID industry" really should be changed to the BoP startup industry. Kumar thinks it should be named the "impact industry," concentrating on results.

Open philanthropy projects

Kumar believes choosing causes is the most important decision philanthropists can make. They should think hard about where their funding can help others the most. To maximize impact, Kumar thinks leaders and investors should prioritize causes based on three criteria:

1. The importance to humanity must be demonstrated beforehand.

2. They serve human needs that are neglected by official aid agencies.
3. The funds must be tractable, showing the results in actual data afterward.

An example is Good Ventures, which invest where there is maximum impact.

Return on investment in philanthropy (ROI)

GiveWell has thought about this, as it has developed a standardized rating system, including cost-benefit analyses when it comes to medicines provided that save lives. This information is on their website for all to see. They research where one can get the most out of their donations. If there are no measurable results, they will avoid the investment.

A results-oriented approach unfolds very differently than just providing funds. To test possible donation results, perhaps pilot projects in targeted communities or to targeted groups with possible randomized controlled trials (RCTs) are required. Then, there should be a review of how those groups were favorably impacted by that test program. Once those results are learned and deficiencies corrected, then the next larger program can be rolled out. Even in the next roll-out, it will probably have to be with adjustments along the way. This is where real-time data dashboards for all to see are important including project tasks, milestones, timelines and degree of targeted improvement goals. Each deployment should be evaluated, tested, and the learnings applied to the next phase.

Never in the past has quality data-backed evidence been available. Now, it is and should be fully applied. Another source is the International Initiative for Impact Evaluation. They can prove what is working and what is not.

Also, if you are interested in donating, but are concerned with results, Charity Navigator can be helpful. For any donation, look for the Charity Navigator approval logo.

Furthermore, think about foundation transparency. This is where organizations like GuideStar can be helpful. It incentivizes donating organizations to share a large amount of information about their work and how they measure success.

For financial institutions, there are Development Impact Bonds that allow the investor to pay for results only, ensuring funds are not wasted and the risks reduced.

Just looking through all of those impact evaluators, if I want to establish a startup and build a team, using those measurements can help me convince my team members that what we are to achieve is very important.

Additionally, for aid workers, Kumar presents a checklist of what makes the greatest impact. Where there are great and successful results, those should be listed high on the list, promoted, branded, amplified and multiplied.

Think investment not donation

If you want to achieve long-term success, you must consider investments and actively get team members and investors involved and interested. Kumar makes this point very simple: "There's lots of investor money out there, far more than there is philanthropic money. Think trillions rather than billions." That is why I started this article introducing the book *The Fortune at the Bottom of the Pyramid* (BoP) by C.K. Prahalad which looks at business opportunities. He believes investors can get returns from the BoP. Returns are not goal #1, which Kumar mentions throughout his book.

Local involvement

For any project to be successful, the leader must convince local people and recipients to get involved in the decision-making process. They must buy into whatever is decided. Simply, if medicine is provided, the patient must agree to confirm it is being taken.

Whether regarding health issues, education, employment, medicine distribution or any project, in decision-making, there must be detailed, in-depth and constant discussions with those most impacted. To achieve that, possibly training and experiential learning are required to most effectively get local communities involved. This is where the phrase "human-centered design (HCD)" Kumar used comes into play to engage people. It sees those people as stakeholders. One of the ways to do that is through social media. For

example, UNICEF is using WhatsApp to communicate with young people, obtaining their opinions, concerns and aspirations regarding schooling, healthcare and a wide range of development issues. Furthermore, regarding political issues, people can turn to U-Report to get reliable information.

Micro financing, personal identities and credit ratings

Where does someone in the developing world go to get very small financing? The famous source is Grameen Bank, which specializes in serving the poor. But, also there is BRAC in Bangladesh who have over 120,000 employees working on health and /nutrition, childcare, clean water and sanitation, not to mention adult literacy. The leaders of this organization have inspired these people to be proud of what they are achieving. Also, someone that has an idea doesn't have to give up because of lack of funding. There are funding methods and those methods should be promoted and exposed.

15% of the world have no registered identity but 50% of the world has internet access. Through internet inclusion, banking, financing, identity registration and credit ratings can all become possible. Almost all people have credit ratings in industrialized countries but only 30% globally. That will change in the future with less costly communication devices. Even in the least developed countries, creditworthiness can be determined. An example of this is Tala loans which developed a smartphone that can

determine one's credit risk. This is being used by 1.5 million customers in Kenya, Tanzania, Mexico and the Philippines to date, resulting in lower interest rates. This credit rating and money transfer function have made Kenya's M-Pesa mobile service extremely popular. Now, financial services, insurance and savings are more available in developing countries. Here again, the leaders of both Tata and M-Pesa have given us all great examples of what people in those organizations can be proud of.

Defining the "social enterprise"

Based on Klaus Schwab's book *Stakeholder Capitalism*, I talked about social impact in my article on Globalization and industrial revolutions. There are public companies that have in their charters a limited profit regulation, with their main attention focused on serving the community. Also, in my article about The corporation board of stakeholders, I recommended a "Board of Stakeholder" to make sure social value is of the highest priority. This is very similar to what Kumar is calling the "social enterprise" with their attention on suppliers, the customers being directly served, the community in which they operate, the local and global environment, the broader society and the organization itself. He believes this social mission must be embedded in the business model itself.

Kumar gives the example of Hello Tractor which is an app that connects farms to the equipment they seasonally need. It provides farm machinery sharing, that a small farmer

could not afford to buy. All this has resulted in farm man-hour requirement reduction from days to hours, vastly improving productivity.

If an African farmer needs basic agriculture supplies or microfinancing for seeds or fertilizer, he can turn to One Acre Fund. For developing world funding, I have been donating to Kiva for quite a few years. It is now a billion-dollar lending platform, is in over eighty countries and lends to almost two million people. For me, this is a donation. For them, it is a loan to be repaid. When I receive a repayment, I quickly reinvest it into someone else or donate it to Kiva.

Another app is SoilCares. It monitors soil quality to ensure the greatest crop production. Here again, this too greatly improves growth, yield and production.

Still another social enterprise is Water.org that provides clean, safe drinking water to over 55 million people around the world. For people interested in donating to this cause, there is Charity: Water which provides clean drinking water to 8.4 million people as of this writing.

Turning to education, Khan Academy is helping to make learning available where the local governments have failed. This too can be for profit where families have given up on their local schools. Consider this. One reason for poverty is high birth rates. It has been shown that educating women will lower birth rates, lower infant mortality and lower maternal mortality. Therefore, local education of girls is critical.

All of these examples fall in the social enterprise category, not totally for profit, sometimes "not for loss" or public good businesses, but not fully charity either. With this configuration, services explode exponentially. This is what leaders can promote.

Socially responsible business certification

How do you measure if a company serves the overall greater good? One way is by certification. For example, on a global level, B Lab Certification, is one way to confirm a company really cares and leaders should know that when looking for partners. They measure "social and environmental performance, accountability, and transparency."

Is a company's charter for-profit, nonprofit, a government agency or "something else"? Klaus Schwab calls this "something else" the "fourth sector." Kumar mentioned the scandals that Nike has gone through regarding how their suppliers treat their employees. That has led Nike to create an entire supplier factory monitoring consulting company. They confirm working conditions before doing business to avoid future dishonor.

Some companies not only want to avoid scandals but actually promote global good. Kumar mentioned the company TOMS Shoes, that has a program of giving a pair of shoes to an impoverished child every time shoes are bought. It is not that they have to but want to, as their customers value that.

Investing for the greater good

Transparency in where corporations invest should give us an idea how interested they are in the greater community good. Do they direct their funds in what Kumar called "socially responsible investments (SRIs)? Some fund managers promote SRI companies to their customers. To make this more widespread, what is needed is greater transparency, standards and data regarding environmental impact, social impact and quality governance. To the date of Kumar's book, 93% of the biggest 250 corporations report on their sustainability activities and 43% specifically present how they advance the UN Sustainable Development Goals.

Up to now, we have covered a lot regarding startups in the developing world. With technology and philanthropy greatly expanding, startups will play a major role.

Supporting startups in developing countries

How organizational leaders can foster new startup projects in developing countries.

In the first part of this article on building startups in developing countries, I mentioned that technology and corporate and personal philanthropy expansion will play a major role. In this article I'll talk about how entrepreneurs and organizational leaders can avoid waste and achieve great results. Hopefully, it will help these startups to spot and determine needless waste.

Direct donations, valuable or wasteful

Is just giving people money with no conditions attached wasteful? According to Give Directly if done right and funds tracked, it can be extremely beneficial. In the first part of this article, I presented that startups could be very effective in developing countries and gave many examples now underway from the book *The Business of Changing the World* by Raj Kumar. With communication costs coming down very rapidly, funding local contribution and waste tracking are

possible. With this technology the past "Old AID" method will change. In the future, a better description might be "Developing World Investing" or "Open Source AID". This new environment will require leadership and supervision to track investment value and waste.

Supporting the underserved

As mentioned in the first part of this article, the poor should be considered as customers that are willing to buy what they can afford, need and want. The issue is how to approach, price and serve those customers. C.K. Prahalad in his book *The Fortune at the Bottom of the Pyramid* makes that exact point and gives countless examples and that there is money to be made for all to benefit.

Kumar, in his book, gives the example of Wheel, a product by Hindustan Lever that is a clothing detergent designed to wash clothes by hand without much water, and is packaged in a size that is affordable for the poorest customer. It has become the biggest product in Bangladesh.

Further, other methods to bring the poor into the global economy are being explored by Innovations in Poverty Action (IPA), so you can expect the poor to become more active customers in the future. Now, many of these people can borrow money to lease solar panels and water filters for their homes or businesses. Something never available before. These people have funds and can become paying consumers. IPA has distributed around \$100 million from donors such as

Google and Good Ventures and has successful local impact. The people they support must be identified, and their needs, capacities, and community reputation learned. Working through the IPA website, both contributors and recipients are connected, keeping costs very low.

Once an aid recipient receives funding, they can easily report directly to the donor how those funds were helpful and what they were able to achieve with them. That feedback is vital to the success of the program for iterative, ongoing improvements that leaders can supervise. With direct communications, the donors get detailed accounts of results.

Home building funding

The Silicon Valley incubator, Y Combinator, has come up with a new way to provide housing. It is far different from Habitat for Humanity. Their website New Story can offer methods to build a home for around \$6,500 using local builders (as of around 2019). This method not only provides a house, but develops skills and a trade for the local community. Furthermore, donors can see the exact house and the family they are funding through videos of its completion.

Getting to scale

The true goal of all global aid program leaders is to come up with scalable solutions that tackle problems like all the UN

Sustainable Development Goals long-term. The key to do that is not to rely on donations only but tap into ordinary people in both industrialized and developing countries in the form of loans, remittances, investments and purchasing power. The leaders have to be engaged continually, so it will far surpass the amount raised by donations only.

Through this process, a key goal in this effort is to enable poor countries to raise enough tax revenue from their citizens to fund their own health, transportation, security and education systems.

Business models can be developed with today's technology. For example, for a penny a day, 2.5 billion people can improve their hygiene and health by installing available purifying clean toilet systems where open pit latrines that regularly have to be emptied are used today. Just that could generate a yearly billion dollar purchasing power market while saving local people's time and improving their health. The Gates Foundation is making available a toilet system that doesn't require connection to a sanitation system, is closed-looped and treats and purifies the wastewater and then reuses it for flushing. That is just one of several similar systems available. They just have to get people to see the value of these sanitation systems, pay a few pennies, change their habits and start using them. The benefits could be life-saving.

Donors as investors looking for the greatest impact

Leaders should encourage donors to act like investors when considering where they want to offer funds, as there are both well managed, highly productive programs and poorly managed programs. The donors must be persuaded to be results and cost-effectiveness focused. If the donors ask critical questions, even the poorly run programs will improve. One could even consider programs that guarantee outcome per dollar donated.

“Open Source Aid”

In the book *The Business of Changing the World*, Raj Kumar presents a new concept, “Open Source Aid,” which is somewhere between blind altruism and trial-and-error project effectiveness confirmations. It is all parties coming up with something that everyone agrees works best. It is a culture of local collaboration and transparency in sharing experiences and results, including great successes, marginal successes and outright failures. Furthermore, it moves learning forward and avoids aid agencies becoming defensive and clamming up. This all takes active leadership and hands-on supervision.

Let's compare this with a table. The old aid procedures are on the left and the new open source way on the right.

Current aid procedures	New open source aid procedures
Provides an annual report that is released once a year only.	Dashboard/Gantt Chart: Provides current, regularly updated tracking board with real-time data, qualitative information, and visuals on the project status.
There is a post-project evaluation after the project is completed. There is no in-process information.	There is ongoing data feed and analysis.
There is an initially announced mission statement of goals only.	There are visuals illustrating resources required, activities and the desired program outcomes.
The problem is identified, and a solution design is made at the start.	After the initial problem is identified and initial solution introduced, there is an iterative and regularly adapting process in place. From the start, there are adjustments.
There is a top to bottom vertical view of specific issues.	There is a holistic upward and downward view of local people's and community's concerns.
The decision-making is close to funding sources.	The decision-making is close to funding recipients to get their buy-in for maximum impact.
The goals are very ideological.	The goals are very pragmatic to what works on location.
It is broadly (globally) oriented.	It is granularity (front-line, local and user) oriented.
There is a one-off beginning and ending of each project.	There is a systematic, unending, continual process that picks up life of its own and becomes a self-sustainable startup organization.

Financing evolves around grants and loans.	Financing evolves around leverage and incentives through a continual multi-supportive process.
Success equals staying in the budget.	Success equals results that favorably impact recipients.

Adapted from pages 135–136 in The Business of Changing the World by Raj Kumar, modified by Ron McFarland

With the above measurements, leaders must get very directly involved in execution. If they get involved, the old methods will gradually become unacceptable. Open source aid, allows donors and the general public to learn what is making the greatest impact and what is not benefiting the recipients. This impact is not proprietary or centrally controlled. Leaders must make sure everyone is evaluated from the foundation president, to the regional or discipline specialists to the local recipients. With that evaluation and feedback, the community will fully feel the benefits. To make this all possible, leaders must teach collaboration and transparency methods in every project he is involved in.

Looking at those "Old Aid vs Open Source Aid" differences above and considering massive global problems, collaboration among individuals will not be enough. Organizations are required. For example, one is the Development Innovation Ventures (DIV). DIV is USAID's open innovation program that funds breakthrough solutions to the world's toughest development challenges. By focusing on rigorous evidence, DIV impacts millions of lives at a

fraction of the usual cost. It tests programs and ideas in terms of risk and cost-effectiveness that no single organization can handle by itself.

For example, just looking at overall global warming as a problem to address is not enough. It must be broken down into very doable projects and tasks in two broad areas which leaders can manage.

1. *Energy production:* You have to look at renewable sourced energy, like wind, solar, geothermal, hydro and nuclear power generation for any given region. Also, you have to look at power distribution and sharing.
2. *Energy consumption:* You have to look at power use and power waste reduction.

Within one or both of the two groups above, project, task and goal development ideas can be generated. That is where DIV comes in. They award grants to the best ideas in developing countries of \$25,000 to - \$150,000 for an initial proof of concept idea. If that initial idea generates interest, a follow-up investment of from \$150,000 to \$1.5 million grant could be offered for testing and preparing the innovation for the developing world. If there seems to be market potential, it'll award a grant of \$1.5 million to \$15 million to take the project to scale.

Another example is the non-profit XPRIZE, which more broadly provides prizes in biodiversity/conservation, climate/energy, deep tech/quantum, food/water/waste, health, education and space exploration. These fields could

apply in developing countries as well, and are inspiring scientists, healthcare practitioners, students and communities close to where the problems are.

For just studying concepts, there is the Global Innovations Fund (GIF). They fund innovations with the potential to transform the lives of people living on less than \$5 a day. To measure results, they have a rigorous measurement system regarding impact and scalability. They have a video right on their website that details their results.

The real goal of all these programs is to make sure worthwhile ideas have a chance to progress to goods and services that contribute to those in the developing world. Here again, leaders have to get involved, promote their ideas, get funding, build a team to execute those ideas and measure impact.

Supporting startups in developing countries

Kumar gives these four suggestions for steps leaders can take to guarantee successful projects:

1. Start by listening to local people as to their needs and environmental protection.
2. Then, whatever is learned, put what impacts people at the center of any devised solutions.
3. Consider current local customs, behavior and how the program must be modified to improve their lives.
4. Explore a broader overall inclusive system where all benefit.

Leading startups in developing countries

How entrepreneurs can launch new startup ideas in developing countries.

This is the third and final article on startups in developing countries based on the book *The Business of Changing the World* by Raj Kumar. To get the greatest results from aid contributions, I'll look at some special developing country obstacles and how entrepreneurs and organizational leaders can address them, particularly in healthcare and education in developing countries. I'll conclude with Kumar's suggestions for the future in this field and review the earlier parts on developing world startups.

Obstacles in developing countries

Leaders of startups in developing countries have challenges. Countries, companies and special interest groups sometimes do not want their problems exposed. But, by leaders exposing them, solutions can be studied. One organization is working on this exposure and could help startup leaders. It is Publish What We Fund. They want to make aid

information transparent and used for effective leadership decision-making, accountability confirmation and lasting local benefit results.

Global health challenges

Some investments specialize in one area, for example, health only. Partners for Health collaborates with national governments to provide care and strengthen public health systems. Healthcare services can be provided based on results only, not looking at it either as a profitable business model or strictly philanthropy.

If healthcare and pharmaceutical companies look at the developing world as both a rewarding and profitable business model, the leaders in those companies will help expand their customer base on products and services already developed and provided in more advanced nations. On top of that, those corporations could be supported by governments, insurance companies and aid agencies to further market to the poor.

On top of that, in the future, for healthcare services and pharmaceuticals, there are estimated to be twenty billion to thirty billion devices connected to the internet, which will drive down the cost of a wide range of healthcare services, as highly specialized people will not be needed in every location. The devices themselves will offer the expertise required locally. Combine these devices with machine learning and data analytics, then there will be massive

advancement in developing countries. Startup leaders could be the promoters of this communication technology.

Global education challenges

Startup companies now can provide education in developing countries. For example, Nuru International does just that as a nonprofit. It works in mostly Sub-Saharan Africa and provides educational subjects and skills that communities can quickly use, for example farming techniques. They form cooperatives that provide loans, crop selection expertise and potential markets for their produce. They do this by working alongside communities and resourceful local people, educating them and working together to come up with the ideal solution for their situation. That way, the solution is owned at the local level and produces long-term results.

For complex issues like general education, the solutions have to come from communities, and the subject matter taught must match the skills they need directly. To come up with those subjects, Teach for All is offering support. They develop local leaders and turn them into teachers which will promote their community. Teach for All first taps into industrious college graduates and persuades them to offer teacher training in developing countries under a two-year program.

Additionally, in the weakest education system in the world, Bridge International Academies is trying to standardize education to make it as efficient as possible by offering the

most effective curricula. Where local governments have failed, Bridge promotes to parents, as direct parents know the importance of child education. They have over 500 schools in Kenya, Uganda, Nigeria, India and Liberia. Their success is based on three factors,

1. There is a standardized, effective system.
2. Habits and behavior science determine the best teaching method.
3. The programs are human-centered and developed locally.

Looking at the future, virtual learning, gamification and social entrepreneur development will start to disrupt the current developing world educational systems.

Aid in a corrupt environment

In many corrupt environments, aid is simply refused, and people continue to suffer. According to Kumar, if detailed pay for performance programs are in place, the negative impact of corruption can be reduced. Best is working with good governments, but there are cases when a business model has to work around bad governments for the greater good of those communities.

The Millennium Challenge Corporation (MCC) tries to determine which governments are good and which are not, by scoring countries that may be the recipients of funds for infrastructure projects. Their scoring is on a country's record in their governments fighting corruption, local government

investments in health and governments providing the overall education to their people.

The World Bank, when providing aid, often works with MCC to determine aid as well as using its own Human Capital Index. On top of that, the International Aid Transparency Initiative is used.

Kumar's overall recommendations

To reduce extreme poverty to zero, having project data, having project accountability and having transparent information regarding results are needed. To achieve that, here are some considerations Kumar recommends exploring:

Kumar's open source aid proposal must be broadly executed on by dedicated leaders. They should gather and present more real-time data on a regularly updated dashboard for all to see. Here are examples. Present data that shows malaria case reduction, mobile phone use in rural areas, educational improvement, drinking water availability and sanitation systems in operation. Organizations like Premise can gather the data on these goals for better decision-making. With Premise's data gathering technology and with its people on the ground around the world gathering data, taking photos, gathering retail prices, and offering commentary on specific conditions make decision-making easier. Interestingly, currently, their information is used by the World Bank, Gates Foundation and USAID just to name a few. On top of that, as drones, sensors, and satellites get cheaper and more

powerful, they will also play a role in local data gathering. With these resources, leaders should present that data to donors, so they will demand this level of transparency.

Billionaires must be more involved. Those mega-wealthy that aren't giving today should be called out or taxed because of their lack of giving. Their funding must rise substantially to their total net worth, and their level of philanthropy must be made transparent in both dollar amounts and, most importantly, the degree of local improvements achieved. Funds that are just given away are discouraged. Funding impact must be rated and ranked on their results, including failures called out and worked on. Leaders must promote this transparency.

Governments have to move closer to users to observe results. There has to be more data driven pay-for-performance initiatives attached to grants, impact investments and finance projects, thus moving away from the current grant and contract arrangements. Leaders have to encourage governments to study, design, test and discover ideal solutions that deliver the greatest benefits. To do that, they could be supported by the Copenhagen Consensus Center, Center for Global Development and the Overseas Development Institute. With that information, governments should invest in and hold accountable organizations to achieve the greatest good.

At the corporate and social enterprise startup level, foreign direct investment, with its massive size when compared to official aid, must have greater transparency and risk

reduction. This private sector has a major role to play in the least developed countries of the world. Consulting organizations, like Accenture Development Partners (ADP), are working with NGOs, private foundations, public donor agencies and the private sector to create and measure social impact. The creator of (ADP) has written a book on how to develop social entrepreneurs within corporations.

Leading startups in developing countries

Considering the above, it seems very clear that new business startups will be increasing in the months and years ahead. With the examples I gave, hopefully entrepreneurs and organizational leaders will jumpstart a wealth of startup concept ideas.

Tips for finding partners open enough to work with you

An overview of bringing open organizations principles into strategic business alliance projects.

Imagine I'm working on the front line of an open organization, and I'm committed to following principles like transparency, inclusivity, adaptability, collaboration, community, accountability, and commitment to guide that front-line work. A huge problem comes up. My fellow front-line workers and I can't handle it on our own, so we discuss the problem and decide that one of us has to take it to top management. I'm selected to do that.

When I do, I learn there is nothing we can do about the problem within the company. So management decides to let me present the issue to outside individuals who can help us.

In my search for the expertise required to fix the problem, I learn that no single individual has that expertise—and that we must find an outside, skilled partner (company) to help us address the issue.

All companies face this kind of problem and must form strategic business alliances from time to time. But it's especially common for open organizations, which Jim Whitehurst (in his 2015 book *The Open Organization*) specifically defines as organizations that "engage participative communities both inside and out." How, though, does this actually work?

Let's take a look at how transparency, inclusivity, adaptability, collaboration, community, accountability and commitment impact on two partner companies working together on a project.

Three stages of collaboration

Several years back, I formed an alliance between my company's operation in China and an American company. My company is Japanese, and establishing a working relationship between American, Japanese, and Chinese partners was challenging (I'll discuss this project more in detail later). Being successful meant I had to study various ways to form effective business alliances.

Basically, this is what I learned and put into practice in China. Developing strategic business alliances with a partner company involves three stages:

1. Stage 1 is the "Discovery" stage.
2. Stage 2 is the "Implementation" stage
3. Stage 3 is the "Maintenance" stage

Here's what you can do in each stage to form lasting, effective and open alliances with external partners.

1. Discovery stage

In this stage, you want to decide on what you want to achieve with your proposed alliance. Simply put: What is your goal? The more detail with which you can express this goal (and its sub-goals), the higher your chance of success.

Next, you want to evaluate organizations that can support you to achieve those goals. What do you want them to do? What should you be responsible for (what don't you want them to do)? How do you want them to behave with you, especially regarding open organization principles? You should group each potential partner into three categories:

1. Those following these principles now
2. Those not following these principles now but who want to follow these principles and could with some support, explanation and training
3. Those that do not have the desire or character to be more open in their behavior

After evaluating candidates, you should approach your ideal partner with a proposal for how you can work together on the specific project and reach an agreement.

This stage is the most important of the three. If you can get it right, the entire project will unfold in a timely and cost effective way. Quite often, companies do not spend enough time being open, inclusive, and collaborative to come to the

best decision on what they want to achieve and what parameters are ideal for the project.

2. Implementation stage

In this stage, you'll start working with your alliance business partner on the project. Before you do that, you have to get to know your partner—and you have to get them to know you and your team. Your new partner may subscribe to open organization principles in general, but in practice those principles might not guide every member of the team. You'll therefore want to build a project team on both their side and yours, both of which adhere to the principles.

You will encounter people who will resist the project, and you'll need to screen them out. More importantly, you must find those individuals that will be very committed to the project and have the expertise to ensure success.

When starting a new project in any organization, you'll likely face at least three challenges:

(1) Competition with ongoing business for scarce resources

If the needs of the new joint project grow, your project leader may have to prioritize your project over ongoing business (both yours and that of your partner's!). You both might have to request a higher budget. On the other hand, the ongoing business leaders might promote their own ongoing, core business to increase direct profits.

So make a formal, documented allocation of funds for the project and an allocation of shared personnel's time. Confirm a balance between short-term (mostly ongoing related) and long-term (mostly the new joint project) gains. If the use of resources for a new joint project impacts (in any way) ongoing business, the new joint project budget should cover the losses. Leaders should discuss all contingency plans in advance of the concern. This is where transparency, adaptability, and collaboration become very important.

(2) Divided time, energy and attention of shared staff

Your shared staff may consider the new joint project a distraction to their work. The shared staff from each company might be under short-term time pressure, for example. This is where front-line project commitment comes in. The shared staff might not consider the new joint project important. The shared staff might have stronger loyalties and formal ties to the ongoing business operation. The shared staff might feel the new joint project will damage the ongoing business operation (weaken brand and customer/supplier loyalties, cannibalize current business, etc.).

In this case, you'll need to make sure that all stakeholders understand and believe in the value of the new joint project. This concept should be repeatedly promoted from the top level, mid-management level and operational level. All senior executives should be new joint project advocates when there is stress in time, energy, and attention.

Furthermore, the new joint project leaders must be flexible and adaptable when the ongoing business becomes overloaded, as they are the profit-center of the organization that funds all projects. At the departmental level, the ongoing operation could charge the new joint project for excess work provided. A special bonus could be given to shared staff that work over a certain amount. This is where adaptability, collaboration, accountability, and commitment become very important.

(3) Disharmony in partnership and building a new community

Differences are important for adding value to a project, but they could cause rivalry, too. One common source of conflict can be perceived skill level of individuals. Conflict could result if management heaps too much praise to one side (either ongoing business or the new joint project). Conflict could result from differing opinions on performance assessments. Conflict on compensation could occur. Conflict on decision authority could occur.

To avoid these types of conflict, make the division of responsibility as clear as possible. Reinforce common values for both groups. Add more internal staff (less outside hires) on the project team to support cooperation, as they have established relationships. Locate key staff near the dedicated team for face-to-face interaction. This is where transparency, inclusivity, collaboration, community and commitment become exceedingly important.

3. Maintenance stage

After all the start-up concerns in the joint project have been addressed, and the project is showing signs of success, you should implement periodic evaluations. Is the team still behaving with a great deal of transparency, inclusivity, adaptability, collaboration, community, accountability, and commitment? Here again, consider three answers to these questions ("yes," "no," "developmental"). For "yes" groups, leave everything as-is. For "no" groups, consider major personnel and structural changes. For "developmental" groups, consider training, role playing, and possibly closer supervision.

3 lessons in effective open partnership

Applying open organization principles to your work can help you discover hidden marketable assets.

In a previous article about finding open partners, I presented three challenges open organizations face when seeking strategic, external partners. To quickly recap, these challenges are:

1. Competition with ongoing business for scarce resources in both companies,
2. Divided time, energy, and attention of shared staff, and,
3. Disharmony in partnership and building a new community

I also noted that company-to-company alliances typically form through three stages, namely:

1. The discovery stage, to determine exactly what issues the alliance will address and select the appropriate partner
2. The implementation stage, to get to know the partner and coordinate according to open organization

principles (transparency, inclusivity, adaptability, collaboration, community, accountability and commitment), and

3. The maintenance stage, to confirm the value of the joint project and make adjustments where necessary

In this article on external collaboration, I'd like to bring these concepts to life. Let's look at some actual scenarios.

Scenario 1

I was asked to establish a global sales network for products heavily sold in Japan. During the discovery stage, it was proposed to open sales organizations in both Europe and the United States. After looking at the demand for our products (and their profit potential), I learned that setting up sales companies in those regions was just too costly. I also considered regional distributors, but in that case, I would distance myself from the market and wouldn't be able to work according to open organization principles.

So I decided to find national distributors in each country in Europe and specialty distributors in the United States. This way, I could work very closely with distributors in promoting, exhibiting, and marketing products in each territory. In the implementation stage, the distributors and I openly and collaboratively designed packaging, branding, and promotion. After several years, in the maintenance stage, we started to see our successes and failures. We dropped some under-performing products from the line and added new products and sizes. We did all of this by being as

transparent, inclusive, adaptable, collaborative, and accountable as possible. Before long, we'd established a community with a common goal.

And after working with these people for more than 15 years, I could then easily handle all our projects with just an Internet connection and a smartphone.

Scenario 2

I was approached by a German company that was developing a new product but didn't have the expertise necessary for building one component in the machine. They needed a partner to develop that single component and make it compatible with their machine. So we formed a product development strategic alliance.

In this case, we worked on the discovery stage together. We selected German and Japanese development people to work on the project. They applied the open organization principles of joint transparency, adaptability when major adjustments were required, and close collaboration throughout the implementation stage. Believe it or not, the maintenance stage is still technically ongoing, because the joint partnership continues to this day. After that we would hold reviews to see where we should make adjustments and how we could further improve. Our close collaboration has evolved into a very special community that unites specific individuals in the German company and my Japanese company.

Scenario 3

In another project, I learned my company had excess space in our factory in China. We wouldn't need that space for many years to come. I also knew that we'd been hiring, training, and supervising manufacturing employees in our plant—people who actually produced our products. On top of that, we'd been importing raw materials and exporting finished products from our plant.

So I thought I'd try to find a company that needed manufacturing in China but had no experience doing so, as we had all the expertise required with our on-going experience. Therefore, the discovery phase moved quickly—but it took me a year to find a partner that we could strategically affiliate with. I did that by contacting companies at trade shows I regularly attended. In the implementation stage, I learned they could not just initiate all of the production processes in China quickly, so we had to start the production transplant process very slowly (beginning with simple assembly of the products only). We rented space and hired employees in carefully determined stages to avoid potential cash flow problems.

Together, we produced the products in stages: from simple assembly, to more detailed manufacturing and assembly, to complete manufacturing. To make our partner comfortable, we made sure we did not get involved in marketing or any similar interaction with their customers, both in China and

worldwide. We trusted each other on that point. With that agreement and trust, the project was a great success.

After a year and a half, it was fully up and running. In the maintenance stage, we reviewed our progress regularly and slowly added processes, new products, and new export destinations over an eight-year period. Around that time, our partner felt like he had the confidence he needed to establish his own manufacturing company near our plant. We carefully invited all our employees involved in that production to transfer from our company to their newly established company. In the end, 33 people transferred to that new company, and all were very happy about the overall long-term outcome. Selective transparency, inclusivity, adaptability, and collaboration were very important throughout this entire process. We made sure the transparency of our joint project covered employee hiring, training and supervision, raw material and equipment purchasing, and importing and exporting.

Guiding questions

Apart from these examples, though, you can find potential alliances in a wide range of areas outside your current core business model. Using open organization principles can greatly improve your chances of success when you form partnerships. Here are some areas you can explore:

- What seasonal equipment is underused in your company? Could it support another company's

operation?

- What service specialties are underused in your company? Could it support another company's operation?
- What space is underused in your company? Could it support another company's operation?
- What personnel are underused in your company? Could any of these people be shared with trusted partners?
- Along your product/service value chain, what is most costly in-house? Could any process be fully or partly outsourced to a trusted open organization partner?

Applying open organization principles to your work can help you discover what hidden marketable assets you didn't realize you had. And these could generate many opportunities you've never dreamed of.

5 ways blockchain can accelerate open organizations

Some of the ways blockchain technology will impact organizations, helping to make them more open.

Looking at the open organization principles (transparency, inclusivity, adaptability, collaboration, community) and the reasons we practice them (building a network of people dedicated to a purpose and sharing the same ethical standards, for example), I started wondering how these principles would be influenced by an increasingly important emerging technology: blockchain.

In an effort to not only understand blockchain itself, but also to discover the ways adopting it could change our approach to organizing today, I read several books on it. *Blockchain Revolution*, by father and son collaborators Don Tapscott and Alex Tapscott, is one of the most thoroughly researched I've encountered so far. Look at the "Notes" section in the back of the book, and you'll see the copious references for each chapter, including examples from start-ups to websites involved in blockchain-related projects. Throughout the book, Don (father) and Alex (son) suggest that decentralized

(distributed) computing used for the transfer of value (not just information) will revolutionize business as we know it today.

Concerning the influence this technology will have on open organizations, I found Chapters 3, 4, 5 and 6 of the book of most interest. Directly—or using similar terms—the book mentions the open organization principles of transparency, inclusivity, adaptability, collaboration and a dedicated network and community repeatedly.

In the book, the authors raise two particularly interesting issues:

1. the impact of blockchain on organizational formation, and
2. the impact of blockchain on the ways we accomplish certain tasks

Pondering these issues made me wonder: Why should organizations be formed in the first place, and how would blockchain technology "revolutionize" them according to open organization characteristics? And, how would our approaches to various tried-and-true organizational tasks change with the introduction of blockchain technology?

Let me explain what the authors believe.

Blockchain and the costs of organizing

When we consider open organizations, we have to ask the question of why companies exist in the first place. The book

does this by introducing a theory of the value of a firm originating from economist Ronald Coase. Coase's theory is that companies are created strictly for cost reasons, and Coase believes that a firm would expand until the cost of performing an activity inside the firm exceeded the cost of performing the activity outside the firm.

Blockchain technology, the authors write, will influence various costs and will reduce costs outside the organization more than inside. The book presents three cost factors of Coase's theory:

1. *Cost of searching*: Finding the right information, people, resources to create things
2. *Cost of contracting*: Negotiating the cost for labor and materials for every activity in the operation, in keeping trade secrets, and in policing and enforcing all agreements
3. *Cost of coordination*: Getting people working on a project and coordinate their activities efficiently

In addition to these three costs from Coase, the book mentions the *cost of establishing trust* (which currently assumes that internal personnel have a higher commitment to the organization) and the *cost of transactions*. These two costs could determine whether a company should perform a certain activity within the company or seek outside support for accomplishing it as well.

Let's look at these five costs in detail, because being aware of them is important to understanding the ways blockchain technology will revolutionize them.

1. Search costs

How do we find new talent and new customers? The Internet is a network of information, and it has reduced the cost of gathering that information. Similarly, blockchain technology's "Internet of Value or of Money," the authors say, will bring down the cost of finding talent outside the company to work on even the smallest of projects and pay them for it. It will push the open source and the open organization concepts to a whole new level. Blockchain technology will influence transparency by exposing problems that are presented to the outside world. For example, if your customers are on a specific blockchain website that pays for suggestions in cryptocurrency (pennies in value) and a customer doesn't like your product/service, he could be financially motivated to just blog about it. If that blog gets a lot of "likes" and agreement comments, you will know very quickly you found a problem for just a few pennies. And it could encourage a community of people dedicated to work on that problem. Without the cryptocurrency incentive, they may just be silent. Moreover, conducting customer surveys would be far more expensive.

2. Contracting costs

What do we agree to do, and who should do what? The second reason people establish firms is contractual costs, such as negotiating the price of goods/services being purchased, establishing capacity, deciding the conditions of a supplier's

goods or services, supervising suppliers, enforcing transaction terms, and the handling of claims if parties don't deliver as promised. Blockchain technology will reduce contracting costs through clever computer code, enabling firms to open up and develop new relationships outside their boundaries. Some tasks will stay inside, some will go outside, and some will be concurrently performed inside and outside.

For instance, the authors explain how "smart contracts" will enable these contracting cost to come down. Smart contracts are computer programs that secure, enforce, and execute settlement of recorded agreements between people and organizations. Through these contracts, partners can spend more of their time up front determining the terms of the agreement, the monitoring procedures, the enforcement methods and the settlement terms before a deal. Smart contracts will enforce them. They'll include incentives as well, in order to encourage specific behavior and to make sure activities proceed as everyone has agreed they should. There will be a balance between independence and interdependence, which will be very attractive to a lot of people who were previously unapproachable before (increasing inclusivity). In the long-run, monitoring costs will drop significantly, perhaps to zero, as the monitoring is literally programmed into the agreement. Furthermore, micropayment smart contracts could open a vast labor, skill, and talent pool for extremely small projects that were

unreachable until the development of blockchain technology (furthering inclusivity even more).

The authors also believe that, on the one hand, total strangers will be able to confidently and selectively communicate privately and anonymously. On the other hand, they say, people will be able to speak freely, honestly, and securely without fear of repercussions. These smart contract conditions will enable the selected parties to disguise their identities and scramble their messages in transit and in storage, so that only authorized persons may access the information. This will further open up a new level of inclusivity in open organizations needing specific outside expertise.

3. Coordination costs

How should people best work together? In the past few decades, hierarchies have come under scrutiny for stifling creativity. The authors suggest that organizations of the future will have to be redesigned to release more of this stifled energy and creativity. Social media tools have helped in this regard, particularly regarding collaboration. The authors also believe that by distributing responsibility, authority, and power, this creativity will further increase. For example, imagine a doctor in a small village in a developing country has to operate on a patient. He has all the tools required but not the expertise. He could commission a doctor with the required expertise under a smart contract in an industrialized country. They could virtually coordinate the

operation right on the operating table. One doctor has the responsibility of performing the operation. The other has the responsibility to supervise the procedures. The doctor with the expertise need not travel at all and could charge pennies if he likes. This will, in turn, reduce monitoring costs. With smart contracts and unprecedented transparency, blockchain technology can help reduce these costs—particularly those associated with supervision, inspection, and observation.

4. Cost of (re)building trust

Why should people trust one another? Building trust between organizational members takes a lot of time, work, and expense. Because of this, many firms think it's better to build trust within the company. But with trust at an all-time low, the challenge for firms is not simply figuring out who to trust, but also understanding how to build trust correctly in the working environment (or up front in agreements). Trust is as important as labor, capital, and technology, and must be seriously addressed to bring down costs. The authors believe that smart contracts and agreements can help expose any error, small omissions of information, or wrongful acts very quickly.

In the pre-blockchain world, trust in transactions is derived from supervising individuals, intermediaries, or other organizations acting with integrity. In the emerging post-blockchain world, the authors argue, trust will be derived from the network environment—and even from sensors within the network. This will lead to transactions directly

between two or more parties, "authenticated by mass collaboration and powered by collective self-interests" (as Don Tapscott puts it) rather than by large intermediaries motivated by profit. They think that companies that conduct transactions on the blockchain will enjoy an increase in overall trust, which will influence their share prices. Clever code will be far less costly than middlemen or clearing houses, the authors say.

5. Cost of transactions

How could I possibly commission work for the smallest increment of time? What about on a project for, say 15 minutes, which is all that is needed? Currently, the administration and remittance costs are just too high. The authors of *Blockchain Revolution* say that transaction cost reduction could be achieved by micro-metering and micro-monetizing, as well as by reduced transfer fees.

Micro-metering and micro-monetizing: If a service, product, or operation was traditionally metered in time and/or amount of use, then costs and revenues could be determined in real time. If consumers made micro-payments for single tasks, and the charges were in thousands of pennies, costs would drop greatly, but the provider still would be rewarded directly. Producers only deliver what is wanted, and payments are made only for what is used. In terms of skills needed, this cost reduction could open organizations up to a wide range of outside available talent (again, a factor influencing inclusivity). For example, talent (like a few hours

from retired folks) could become available where once they were out of consideration. In addition to that, a wide range of unused assets (like tool rental) could be made available.

Remittance fees: Up until the past few years, remittance charges globally run between 2% and 7%, and it might take up to a week to complete a transaction. Through blockchain technology and the use of cryptocurrencies, remittances globally could have charges of less than 1%—and be completed in seconds. This is allowing millions of people currently excluded from the global economy to now enter it. The authors believe that billions of people in the developing world could enter the global economy, transfer funds, save money, invest money, and lend money. By registering the ownership of their assets (pigs, livestock, land, etc.) and using those assets to get secured loans, they could start borrowing to start businesses (currently, animals are the most liquid assets that people own in the developing world).

Organization cost review

That's a lot of explanation. Here's what it all might mean for open organizations, according to the authors of *Blockchain Revolution*.

The authors believe that with lowered search costs, smart contracting costs, computerizing coordination costs and trust establishing costs, overall hierarchical management supervision, inspection and observation costs will decrease as well. They also predict an era of mass collaboration and

more trusting, community-centered development—leading to more customer value and owner wealth. In the future, the authors think that enterprises will look more like networks (or open organizations, if you will), rather than the vertically integrated hierarchies of the industrial age. These networks:

- will offer individuals dynamic roles rather than traditional job descriptions,
- will be distributed, not have delegated authority,
- will adhere to transparent, written rules rather than office politics, and
- will function with rapid reiterations (e.g., enhanced adaptability) rather than go through big reorganizations

This will be possible because intelligent software will assume some degree of management activities regarding resources and capabilities (technologies including blockchain).

Preparing your organization for a future built on blockchain

Organizations should seriously examine their maturity level to prepare for the future of blockchain.

In the 2017 book *Blockchain Revolution* by Don Tapscott and Alex Tapscott, the authors suggest several ways that blockchain technology will impact organizations. In this article, I'll take a close look at how the authors think blockchain technology will influence specific kinds of activities. I'll explore the authors' proposals for leveraging this technology for each type of task in the future.

What tasks will blockchain impact?

When discussing blockchain's potential impact, the authors focus on two factors: task repetition and complexity.

1. *Repetition*: How often is a process repeatedly performed? Could it lead to automation?
2. *Complexity*: How difficult and/or complicated is the task? Does it require human participation?

The authors then explain that we might classify various projects according to the degree to which they exemplify these characteristics—"high" or "low."

This leads to a fourfold chart that explains the specific impacts blockchain might have on certain economic, social, and political activities. For explanatory purposes, I've adapted one of the author's charts below:

<i>High in Complexity</i> <i>Low in Repetition</i> Open Networked Enterprises	<i>High in Complexity</i> <i>High in Repetition</i> Distributed Autonomous Enterprises (DAE)
<i>Low in Complexity</i> <i>Low in Repetition</i> Smart Contracts	<i>Low in Complexity</i> <i>High in Repetition</i> Computerized Autonomous Agents

Modified from Blockchain Revolution by Don Tapscott and Alex Tapscott

The authors focus on:

- Smart Contracts
- Open Networked Enterprises
- Computerized Autonomous Agents
- Distributed Autonomous Enterprises (DAE)

Let me explain their arguments regarding each of these applications:

Smart contracts can easily apply to projects that are low in both repetition and complexity. Smart contracts require initial human involvement in the form of multi-signature

(clearly understood and notarized discussions and agreements). During development, humans (up front) will determine and write up the terms of these agreements—but these smart contracts themselves will do the monitoring, enforcement and settlement goals of the terms of agreement those humans have decided on. In addition, authors and signatories of the smart contracts can include incentives in them to promote specific behavior.

Open Networked Enterprises would best suit tasks that are high in complexity but low in repetition. At very low cost, smart contracts enable companies to craft clever, self-enforcing agreements with suppliers and partners. Collections of these agreements will start to resemble working networks, trusted company affiliations, or open organizations. In *Blockchain Revolution*, the authors mention the work of famous Harvard Professor Michael Porter with regard to this phenomenon. Porter considers these Open Networked Enterprises to have competitive advantages that are difficult to duplicate.

Computerized Autonomous Agents can handle tasks that are high in repetition but low in complexity. These are devices or software systems, perhaps connected via the Internet of Things (IoT), that can be developed to take in information from their environment and make independent choices. They require no human involvement when in normal operation. More specifically, they can perform transactions, acquire resources, make payments, and, in general, create value on behalf of the developers. These systems can collect

local environmental information (device to device collaboration) and make decisions in real time (quick adaptability). They perform certain tasks far better and faster than any single machine or human that is not on the local scene.

Distributed Autonomous Enterprises (DAE) would be ideal for processes or tasks that are high in both complexity and repetition (some call them Distributed Autonomous Organizations, or DAO). These are projects requiring extensive amounts of computing power and resources to buy services needed, hire people or robots, and acquire partners or resources (such as manufacturing capability or basic marketing expertise) in real time. In any form, if the work is repetitive, then these programs can find a way to complete it. Simply put, it's software and clever code that performs tasks and reports to shareholders.

DAE deep dive

The DAE model is especially interesting from the standpoint of the open organization. Through crowdfunding techniques, say the authors of *Blockchain Revolution*, DAEs could provide mission statements to millions of shareholders. These shareholders could then invest only pennies in certain projects, which opens up a huge investor pool—an open organization from an investor's perspective. Armed with the agreed-upon mission statement from the shareholders, the DAE will be programmed to perform the specified tasks. Shareholders could also vote, as required, to

govern the entity. Much of the day-to-day repetitive decision making can be handled via software.

Everyone and everything works according to specific rules and procedures coded in the DAE smart contracts. When a human is used under a smart contract, they do a specific job, with instant pay, not on a biweekly but daily, hourly or microsecond level.

In these specific cases, DAE corporations could exist without human management executives—only shareholders, capital, and software. Shareholders only exert control over the code. Of course, tasks must be immediate, repetitive work. Long-term planning remains in the domain of humans.

Blockchain cooperatives

Using smart contracts and detailed computer protocols, task specific cooperatives could be formed. The same Distributed Autonomous Enterprises (DAE) characteristics could be applied. Co-ops like these could be associations formed and controlled by people who come together to meet common community, environmental, or social needs. A wide range of cooperatives could be developed to tap into so-called underutilized, time-based resources like real estate (apartment bedrooms underused), vehicles on call (transportation services using unused vehicles), or gig-style work (skills on call).

Although some of the above are now underway, the authors warn that there is still a lot to do before all the above come

into mainstream business practices. They are clustered around concerns and barriers in three broad mainstream areas:

1. current business disruption,
2. legal concerns, consumer protection, and the misuse of this technology, and
3. the technology itself, which requires more computing power than what is currently available worldwide

Blockchain Revolution certainly stresses how strongly blockchain technology will impact organizations of the future. Anyone interested in open organization principles—namely greater transparency, inclusivity, adaptability, collaboration and community building—will understand how blockchain will make these values more vital than ever before. Companies should seriously examine their open organization maturity level to prepare for this future—a future that's arriving very quickly.

Designing a system that helps the best ideas win

A willingness to expose and address our weaknesses must be a 360-degree attitude.

Ray Dalio is a billionaire investor, hedge fund manager, founder of investment firm Bridgewater Associates, and philanthropist. He's also the author of the book *Principles: Life and Work*, from 2017.

Principles describes how Dalio's organization transforms wishes, desires, and goals into tasks, actions, behaviors, and execution through algorithms—what Dalio calls "management tools." Dalio is a strong proponent of what he calls "believability weighted decision-making," which stresses evaluating factors and opinions that most influence a given issue and understanding who might have a strong background (or weak background) on the subject.

In effect, it's a system for implementing meritocracy—which makes it particularly interesting to open organization practitioners and advocates.

Reading *Principles* from an open organization perspective is a valuable exercise. In this article, I'll offer an overview of the "believability weighted decision-making concept," and present Ray Dalio's thoughts on exposing our strengths and weaknesses in decision-making situations.

A meritocracy of ideas

In meritocracies, "best ideas" get adopted. According to Dalio, "idea meritocracy" is the result of "radical truth" plus "radical transparency" plus "weighted decision-making."

Here is his definition of each:

- *Radical truth*: Not filtering one's thoughts and one's questions in ways that lead to biased information, and being completely open to incoming information
- *Radical transparency*: Giving everyone the ability to see everything about a given issue being decided upon
- *Weighted decision making*: Making decisions based on unbiased, balanced, and in-depth information and data (according to Ray Dalio, "weighted" means the idea is based on the most believable data and information available at the time).

And here are Dalio's rules for idea meritocracy:

1. Select the right people that will generate the best ideas.
2. Get agreement that all will accept the group's final decision and judgment.
3. Select certain members to enforce the final agreement.

For Dalio, "best ideas" take shape according to a concrete and repeatable process. It involves:

1. Build an environment for learning and acquiring knowledge.
2. Gather independent thinking people.
3. Create an environment that allows for all ideas to be presented, exposed, discussed, and agreed upon.
4. Determine if this agreement is a one-time issue or a continuing issue which should be systematized into execution principles and behaviors.
5. If systemization is desired, begin success and failure prototype testing.
6. After repeated trials, determine the best systematized process, then regularly review and update.

In *Principles*, Dalio explains how he and others at Bridgewater Associates have implemented these processes.

A book in two parts

Principles consists of two parts: "Life Principles" and "Work Principles." Life Principles presents Ray Dalio's history, and here I learned that he's from my generation (he graduated high school the same year I did). The same factors and forces he remembers influencing him were the same ones that influenced me.

Most of the book, however, consists of Work Principles. I'll cover those here.

Evaluating strengths and weaknesses

Bridgewater Associates uses the Myers-Briggs Type Indicator (MBTI) system. All Bridgewater members know each other's preferences and non-preferences. Clearly, the belief is that having the right community environment will ensure that all members can admit to their non-preferences (their weaknesses or blind spots), and other members can support them without resistance. For example, in 2006 Dalio took the MBTI and learned that "intuiting people" tended to look at big-picture concepts while "sensing people" were more interested in details. At the time, Bridgewater was having conflicts and disagreements in just that area. MBTI understanding helped solve those disagreements.

To demonstrate, let's take a look at my own Myers-Briggs preferences (see below). I'm an "ESTJ" (Extraversion [E] to Introversion [I], Sensing [S] to iNtuition [N], Thinking [T] to Feeling [F] and Judging [J] to Perceiving [P]). ESTJs like me are logical, analytical, decisive, and tough-minded; they're able to organize facts and operations well in advance. Here are some things a group should think about when working with me.

Contributions to the organization

- Sees flaws in advance
- Critiques programs in a logical way
- Organizes processes, products, and people
- Quick to decide

- Acts as a traditional leaders who respect the hierarchy

Potential pitfalls

- May decide too quickly
- May not see the need for change
- May overlook the niceties in working to get the job done
- May be overtaken by their feelings and values if they ignore them for too long

Can you imagine how helpful this information would be if an entire team or organization was aware of it? I tend to be extreme when it comes to "Judging" (J) and "Perceiving" (P), and I often need help with not making decisions too quickly, particularly when not enough information is available. A team aware of my personality type could coach me on slowing down and spending more time in information gathering and analyzing. "Perceiving" people who are better at non-judgmental information gathering could be especially helpful in this regard.

Critiquing bosses' comments

A willingness to expose and address our weaknesses must be a 360-degree attitude. Management must also be involved. Dalio thinks staff should have the right—even the responsibility—to criticize their boss if they're not comfortable with his or her behavior.

Bosses shouldn't singly override a decision unless they have strong reasons and can convince all parties they were forced to act alone. Anyone can criticize a boss with supporting data. Also, a boss must be willing to expose his or her own weaknesses. Creating this environment is important, Dalio says.

Education and training

Bridgewater records virtually all meetings. This way, they can create case studies to learn from later (they simply have a meeting, review the recording of the meeting, and see what they can improve on). Then they role-play the meeting again with improvements added. They record that one, too. Then they play back that recording, see the improvements, and locate even more ways to make it better.

Education is providing knowledge—but this kind of training is building skills through repetition and reviewing the same activity until it rises to the desired level. Dalio calls this "experimental learning by exposing weaknesses."

Believability weighted decision-making

After many of the truck sales seminars that I gave throughout my career, I asked the participants to complete a little survey on reasons why customers were buying our trucks. In the room were professional sales people with ten years of experience or more, salesmen with five to ten years of experience, salesmen with one to four years of experience,

and salesmen with less than a single year of experience. I'd weigh my survey results, giving four times the value to salesmen with ten years' experience or above, then three times, two times, and one time.

I see a similar approach to gathering data at Bridgewater. As a hedge fund company, it recommends investments for its clients—and it uses a "believability weighted decision-making" analysis for determining those investments. The company's innovation, Dalio argues, is its application of this process to decision-making and management. When making decisions, Dalio argues, we must determine (and find agreement on) how much weight each member and each influencing factor should carry.

For decision-making meetings, Dalio says, all people and information should be "believability weighted." He says to ask which of these three types of people are in the meeting:

- "Teachers," who should be making statements most and asking confirmation questions
- "Students," who should be mostly asking questions and occasionally giving comments
- "Peers," who give comments on some well understood issues and ask questions on topics that are not well understood

Which are you? Which is everyone else? Bridgewater has tools to evaluate that, which I will introduce in the next part of this article.

Future self and environment development

Dan Ariely, the famous behavioral economist, says we are two people: A "current self" with all our goals and ambitions, and a "future self" that occasionally behaves counter to those goals because of a surrounding or environmental change in the future.

Consider deciding to exercise one evening with the goal of getting in shape (current) and being sleepy and not wanting to get up the next morning (future). The current-self sets goals, but the future-self fails to behave to achieve the goals. The current environment is different, and the current self's mental attitude is different from the environment and mental attitude in the future. So when setting goals, the future environment must be managed (with, for example, alarm clocks, electronic messaging from daily planners, and other triggering systems).

To assist with transparency and adaptability, Bridgewater Associates records all meetings (as I mentioned above). People review some meetings with questions like:

- What was covered?
- Were the right questions asked?
- Did everyone have a chance to speak?
- Was there a decision made?
- Who are the most energetic members that have the strongest desire to achieve something?
- Who are less interested?

The purpose is to learn and improve. A "current self" (who's sitting in the meeting) can't see what is happening while it's happening. The "future self" reviewing the meeting, however, sees a very different perspective and can learn from it.

Dalio says organizations should allow people to admit that they can't do what they thought they could do and to ask for help quickly. Delayed projects are often the result of some person, some team, or even some company refusing to come out and say they can't do the assignment and need either to get help or to give the project to someone else. The faster an organization can expose this weakness through transparency, the more efficiently it will be able to complete projects.

Group size and composition

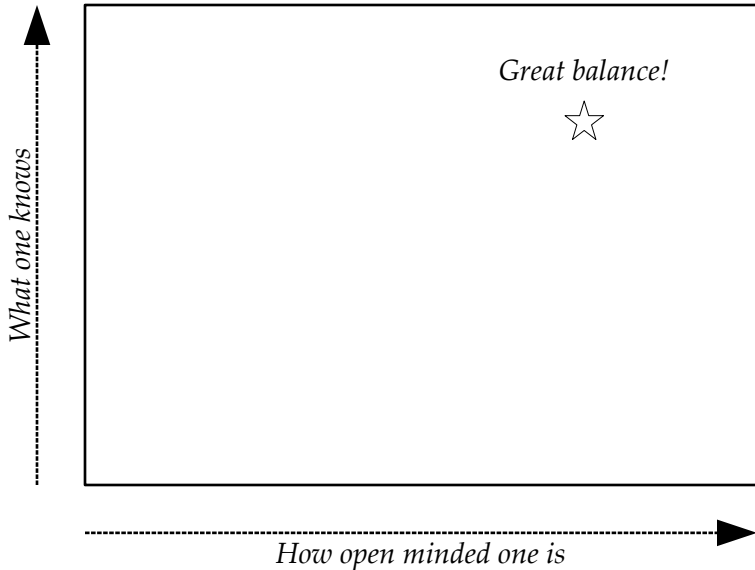
Group size is an important environmental consideration. Dalio believes that two people who collaborate well will be more than three times as effective as the two of them operating independently, because each will see what the other might miss—plus, they can leverage one another's strengths.

He thinks that three to five people are best. Smart, conceptual people seeking the right answers in an open-minded way will generally lead to the best answers. It may be tempting to gather a larger group, but having too many

people collaborating is counterproductive, Dalio says, unless specific talent, experience and skills are required.

One's reputation, knowledge, and experience with a given topic are all factors decision-makers should consider in meetings—but none of these should intimidate the entire group. The person with a reputation for possessing all these things must be humble and open-minded as well.

One's ability and desire to be humble and open-minded (that is, one's willingness to ask confirming questions and admit a lack of knowledge on specific aspects of the subject) is equally important. According to Dalio, each of us must evaluate ourselves and others on both these factors for every issue or subject during a meeting. He's sketched a chart to demonstrate the perfect balance between prior knowledge and open-mindedness (see below).



Who do you want in your decision-making meetings? (adapted from Principles, p. 181)

Where would you locate yourself on this table when you attend meetings on various issues? Would others agree with you? Who knows, the quiet, least experienced but most independent thinking young person in the back of the room might have a perspective and knowledge that no one else considered. The group must be open to hearing from that person, too.

According to Dalio, the most open-minded people tend to:

- Understand that everyone has blind spots, but that they can be different from person to person, and want to consult with people who have different blind spots than they do.
- Try to explore other points of view.

- Believe they might not know the best possible path.
- Recognize that there are two steps to decision-making, gathering information and deciding, understand how to negotiate the two (spending more time gathering information might be necessary; however, only gathering information and not deciding could be a concern too).
- Remind themselves that they're looking for the best answer, not just a preferred answer (that is, they try to get everyone in a group to move to a higher-level perspective so they can gaze down more critically at all the members' positions).
- Ask, when arguing, whether they're arguing to understand or just to be understood.
- They speak with experts individually; then, they get all the experts together and let them support their positions.

People that are more closed-minded, Dalio says:

- Don't want their ideas challenged.
- Like to make statements but don't like asking questions.
- Focus more on being understood than understanding others.
- They try to convince people by saying "I might be wrong, but here's my opinion" (if they follow up with a question, this sentence is understandable; if they discourage questions, comments, or criticism, they're more closed-minded).

- Try to block others from speaking and dominate the conversation.
- Have difficulty seeing two positions at the same time (theirs and others').

Can we automate open behaviors?

Apps can help us build open organizations. We just need to move from principles to actions.

When I began studying sales training and giving sales seminars, I realized I was discovering a few basic principles. These principles were applicable anywhere in the world—and they were as true in the past as they will be in the future. They pertained to fundamental aspects of my work: Finding customers, meeting customers, learning what customers want, choosing a product or service that would satisfy customers' needs, etc. One can enact these principles in various, situational ways. But the principles themselves are constant.

Open organizations operate according to principles, too: transparency, inclusivity, adaptability, collaboration, and community. We can relate those principles to specific behaviors that propel the principles forward and keep them firmly rooted as part of the organization's culture.

Doing this would involve moving from abstract principles to concrete tasks. That's always a difficult challenge.

No one will outwardly say they want to hide things; they'll espouse transparency. No one will outwardly say they want to exclude people; they'll champion inclusivity. No one will outwardly say they want to give up when adjustments are required; they'll argue in favor of adaptability. These are principles with which almost no one disagrees in theory. The problem, of course, is execution.

So how can people in open organizations move from principles to sets of tasks or behaviors? And what if we could systematize those principles so thoroughly that we could translate them into algorithms that guide and gauge behavior?

Ray Dalio and his colleagues at Bridgewater Associates have undertaken that challenge—and with interesting results. In Dalio's 2017 book, *Principles: Life and Work*, readers can learn more about the ways that Bridgewater develops and implements specific management tools for improving decision making and guiding behaviors.

Let's explore those tools and the thinking behind them, because they stand to be quite useful for anyone interested in developing an open organization.

Building machines

The difference between principles and actions is a wishes-to-behavior gap Dalio has observed. Transforming those principles into actual behaviors, and then setting up an environment that promotes and supervises those behaviors,

is what will determine the greatest success in their application and ongoing improvement. Dalio advocates both creating the right working environment and applying "tools" to supervise specific tasks with real-time feedback.

Dalio says those "tools" are part of larger systems he calls "machines." For Dalio, the term "machine" defines an entire management process, including step-by-step actions for execution. He advocates constantly working on the machines that are central to your organizational success.

Dalio stresses that machines work on things you can control. Here's an example: A salesman's actual sales amount is out of his control; the competitiveness of the product and the desires of the customer are factors that play into this amount, and the salesman can't really control either of them. But he can control what he does and how well he does it; he can control the "sales machine" he executes when trying to do his work. He can develop an effective process—a series of tasks and certain behaviors that accompany them—and improve on it.

Each task involves causes and effects, and perfecting your machines means becoming aware of these. How will one process influence the next process (and so on)? Anything that happens in an organization is usually caused or triggered by something. What is that "something"? Returning to our example salesman: The larger the number and better the quality of potential customers a salesman gathers, the more meetings he can have. The more meetings he has, the more he can determine what people need. The

more needs he determines; the more product recommendations he can give. And so on. That's the sales "machine."

Locating triggers

To fine-tune a machine, you'll need to identify certain events that actually produce the movements between various steps in a process. Over the years, I've called these events "triggers."

Here's one simple example of a trigger: Whenever we finish a box of cereal in my home, we cut a piece of the package and place it on our kitchen counter, then throw the rest of the box away. Every time any one of us sees that square, we receive a trigger to go buy cereal.

Here's another: When I was traveling a lot, I needed to pack bags regularly, and had to decide every time what I would need for the trip. So, I decided to make a list of everything I could possibly need, including my required business documents. This list went from handwritten notes, to a list in a word processor, to a checklist on a spreadsheet with boxes I could check as I packed. After each trip, I reviewed the checklist and decided what was missing and/or what could be deleted. That list has become a valuable tool for me—a series of triggers for what to pack.

The important thing about triggers is that, eventually, you don't think about them; you just do them every time you tackle an assignment or execute a task. Triggers should also

be repeatable across different groups or contexts (I told some colleagues about my pre-travel checklist, for example, and they started using and editing it for their business travel).

Imagine taking these examples above and computerizing them—making algorithms that automate various triggers, even creating entire software applications around these processes. By doing this, you've taken an abstract concept (like "radical transparency"), identified the "machine" or process that represents "good" transparency behaviors, and isolated the various "triggers" that cause people to perform those beneficial behaviors (or not!).

You've taken *theory* and turned it into *executable plans*.

Tools and apps

So let's review some of Bridgewater's tools and apps for reinforcing cultural values, as Dalio describes them in *Principles*.

Dot Collector

Participants continuously record assessments of each other by giving them "dots," positive or negative, on a number of attributes. These dots are laid out in a grid that updates dynamically, so that everyone in the conversation can see one another's thinking as the meeting progresses. Seeing things through everyone's eyes naturally causes most people to adopt a higher-level view, with which they recognize that their own perspective is just one of many—so they ask

themselves which criteria are best for deciding how to resolve the issue at hand.

By taking data on what everyone in the room is like, the app is able to give people individualized coaching, which is especially important when their own opinions are unlikely to be right. The Dot Collector system notifies people automatically if they disagree with the believability-weighted majority on a given issue, and then gives them guidance on the appropriate steps to take to resolve that disagreement in an evidence-based way; it enables, in effect, believability-weighted voting. The votes are on both equal-weighted and believability-weighted bases, not just simple majorities.

Baseball Cards

This is a collection of data on all members of an organization—not just for meetings, in the case of Dot Collector. Baseball Cards list up reviews, tests, choices made, etc., for everyone in the organization. All this information is analyzed algorithmically (based on stress-tested logic) in order to create a strong impression, image, or picture of what certain people are like.

These impressions are then captured on Baseball Cards, a simple way of presenting a person's strengths and weaknesses and the evidence behind them (just like a professional baseball player's card). They help develop objectively a person's authority on a given subject. At

Bridgewater, people can challenge the ratings on their cards and present evidence-based arguments for changes.

The issue log

The "issue log" is primarily for recording mistakes and learning from them. It's a place to log problems the organization needs to solve (not to be cruel and hurtful to people when they make mistakes). The faster the issue becomes transparent, the quicker it will be solved. Here again, an environment that encourages exposing mistakes is important.

We did something similar when I was in the automobile industry: I taught automotive dealership service department personnel about recording "comebacks," repairs on vehicles that have to be done twice, because the problem was not solved the first time. "Comebacks" are killers of service department productivity. There are a wide range of reasons why a vehicle is not repaired the first time, so by analyzing it, a solution for the future can be found.

The pain button

The moment someone experiences pain is the best time for them to record what the pain is like—but it's a bad time to reflect on it, because it's hard to keep a clear head at that time. So this particular app is designed to let people record the emotions they are feeling (anger, disappointment, frustration, worry, rejection, etc.) as they feel them, then

come back at a later time to reflect on that pain using guided reflection questions. The app also displays the frequency of the pain, the causes of the pain, and whether the actions an employee took afterward were productive.

The tool creates a template for looping toward improvement that everyone can see. It allows you to decide to share your entries with others or keep them to yourself. Some people describe the "pain button" as something that's like having a psychologist in your pocket. At Bridgewater, Pain + Reflection = Progress.

The dispute resolver

Disputes need clear paths toward resolution. This app provides a map to resolving disagreements in an idea-meritocratic way. It asks a series of questions to make sure all important information necessary for making the decision has been presented. It locates all the believable people in the decision-making group. It determines if the issue must be taken to a higher management level. It makes sure everyone knows the other members' different points of view. Speed in decision-making can be a real competitive advantage, and this tool can be very helpful in that regard.

An app for open organization principles

How might we begin applying this type of thinking to open organization principles?

First, we'd need to identify specific behaviors, attributes, and actions that express the characteristics of an open organization (transparency, inclusivity, adaptability, collaboration, and community). Then, we'd need to establish measurements for each behavior. Finally, we'd have to develop an app that exposes and supervises that behavior.

Take "transparency," for example: (see table)

Principle example	Behavior example	Measurement example	Apps to supervise behaviors
Transparency	Record all meetings to get broader exposure.	Was enough information presented (scale of 1-10)? Did everyone speak their minds (1-10)?	Asks each member the question, "Was enough information presented?" Answer on a scale of 1-10. Were all members' opinions presented (1-10)? With the weighted average, the App will explain what to do next.

For example, if Fitbit watches can help supervise a person's daily movement activities, and GPS systems can get people from place to place without them having to do a lot of

thinking, so too can apps help us build open organizations.
We just need to move from *principles* to *actions*.

Share your story

Jim Hall (editor)

Leadership means stepping forward and providing a vision, and getting others on board to advance that vision. A Chief Information Officer or IT Director might lead in a different way than someone in a traditional “staff” role - but we all provide leadership in our own way.

That means you don’t need to have a traditional “Leader” title to share your story on Coaching Buttons. We want to hear from you!

There is no one way to write an article about leadership. Here are a few ideas to get you started on your first article:

Share your advice on leadership. Everyone has a different perspective on leadership, or leads in a unique way. Your organization might be different from others; but despite the differences, we all share common challenges. Your insights on leadership will help others to build new leadership skills.

We’re a community! One way to approach this is by writing a “roundup” article. Ask colleagues about their approach to

a common problem, and share their comments in an article. For example, you might ask “How do you manage remote staff?” or “What’s one strategic challenge you’re working on right now?” These single-topic roundup articles are an excellent way to gather different viewpoints and provide a variety of recommendations.

Think about the future. Every leader needs to consider the future landscape and build plans to respond to that future. Share an article about one upcoming challenge and discuss how you’re addressing it.

Consider your own leadership journey. There is no “right” path to step into a leadership role. Tell your own story about how you became a leader, at whatever level you are within your organization. What experiences prepared you for leadership? What mentor or coach helped you transition into a leadership role?

Interviews are great too! Talk with someone in a leadership position - such as a leader within your organization, or peer in a similar leadership role in another organization - and ask them five or six questions about leadership. What challenges do they face? What was their leadership journey to their current role?

We want to hear from you! Reach out to one of our editors to share your leadership story.

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