6 Silent Killers of Productivity and Profitability

By Chris Majer

The last decade ushered in an economic meltdown and technological breakthroughs that have forever changed the business world as we knew it. The changes have been so dramatic that most companies are still scrambling to figure out the new rules of the game.

We are facing a new world—one that calls for new approaches to generating consistent competitive advantage. Unfortunately contemporary management theory and practices have ill prepared us for our current reality. The near-universal rush to cut costs and headcount is more likely distracting us from, rather than enabling, the real work of retooling our enterprises to be competitive in this new world. The world is making tectonic shifts, which most business leaders are meeting with puny incremental responses.

Historic innovation often comes during times of historic difficulty, as these breakdowns create the demand for something new to emerge. As such, they are also times of great opportunity, providing a new way of seeing the world.

For example, at the end of World War II, the people of Japan faced historically unprecedented difficulties. Their infrastructure, morale, manufacturing capacity, and international relations were all destroyed. During this time, an engineer named Taiichi Ohno (known today as the father of Toyota) began the task of building a new capacity for Japanese industrial production.

Ohno was then a student of Henry Ford’s industrial process designs and innovations, but these would no longer work given the circumstances in post-war Japan. So where Ford incorporated everything into one integrated mega-plant, Ohno designed operations for a network of factories. And while Ford’s industrial model was designed to minimize opportunities for human error and standardize the production processes so that workers were interchangeable, Ohno’s model allowed all production-floor workers would be accountable for the quality and coordination of their work. His processes—which were based on the assumption that employees derive personal value from a job well done—required more skilled workers and a team-oriented environment. Ohno’s inventions became the foundation of the quality movement that swept the world starting in the 1970s and ‘80s and evolved into what is today known as the Toyota Production System.

To keep his workers thinking and engaged, Ohno developed a new way for them to think about waste—where “waste” is not a thing but an assessment or an interpretation. In other words, waste is not trash to be thrown out; it refers to the events, phenomena, experiences, and features that diminish our capacity to do what matters to us. In the business world, waste kills productivity and profitability.
For example, Ohno said that time workers spent waiting—for parts, for others to complete work, or for anything else—was waste.

Wastes are particular to specific concerns and moments in time. What was wasteful yesterday may or may not be wasteful tomorrow. The wastes the business world has been concerned with for the last 50 years (e.g., scrapped material, wasted movement, wasted time, and wasted resources) were invented in the traditions of the Industrial Revolution, manufacturing, and mass production. We are no longer living in that world.

In the U.S. today, what we call work has little to do with manufacturing. Instead work is about coordination. The value generators in today’s economy are no longer factory workers but what we call coordination workers. They create value not by making things but by designing what gets made, determining markets for products, and generating consistent customer satisfaction. And they do this through effective coordination with each other.

As a result of these changes, the historical, Industrial-Era wastes are no longer the most important wastes. In the new business world, it is time to distinguish a new set of wastes.

We must now focus our attention on eliminating the six “modern” wastes:

- Degenerative Moods
- Not Listening
- Bureaucratic Styles
- Worship of Information
- Suppressing Innovation
- Modern Indentured Servitude

We call these the new silent killers of productivity and profitability.

**Silent Killer #1: Degenerative Moods**

A mood is a predisposition for action. As human beings, we are always living in one mood or another. This is an inescapable aspect of life. We are mood-driven creatures, and our moods are the foundations from which we assess and move in the world.

Moods come in a variety of shapes and sizes, but they all fall into one of two categories: generative and degenerative. In other words, they do (or do not) generate possibilities, and it is in the world of possibilities that new futures are invented.

However, too many organizations today are in the grip of degenerative moods—with a workplace culture marked by some combination of distrust, resentment, resignation, cynicism, arrogance, and complacency. These degenerative moods can lead to a wide range of unproductive behaviors, which in turn consume or waste vast
quantities of resources while leaders are forced to work around or attempt to correct them.

Degenerative or unproductive moods are tremendous, yet invisible, killers of productivity and profitability. People simply cannot or will not perform to their potential when their work environments are negative, unhappy places to be. Yet contemporary management theory rarely recognizes the importance of moods and the impact they can have on productivity and profitability. While much has been written about morale, which is closely linked with mood, the current common sense has little to offer beyond motivation and engagement work, both of which have proven to be largely ineffective.

Today, a whopping 71 percent of American workers are "not engaged" or "actively disengaged" in their work, according to Gallup. This means they are unhappy with their organizations, emotionally disconnected from their workplaces, and less likely to be productive. In fact, Gallup reports that employee disengagement costs American companies about $350 billion annually.

Mood is everything. It isn’t the only thing, but it is everything, because if you don’t get this right, nothing else you do is going to matter. There is no structural or process change that can overcome deeply entrenched degenerative moods.

Shift Your Understanding

In this newly-emerging business world, one key component for generating competitive advantage is being able to consistently design and deploy the generative moods of ambition, confidence, trust, and esprit. The success of future managers will depend on their skill at “mood management”—which means recognizing that the conversations taking place in the organization are not trivial utterances but are, in fact, the lifeblood of the enterprise. As such, it becomes imperative to develop competence at knowing how to listen for, design, and intervene in the critical conversations of the business as they literally shape the future.

Most current management practices tend to devalue anything that can’t be measured. Traditional leadership wisdom treats mood as the dreaded “touchy feely” soft stuff. However, to be successful in today’s business world, one must know how to coordinate and collaborate with a diverse group of people—inside and outside our organizations. Thus, many of the skills that were once derided as being “soft” are now key drivers for success. And a lack of competence around designing and managing moods will seriously limit one’s career prospects—now and in the years to come.

Silent Killer #2: Not Listening

To truly listen does not mean merely hearing or paying attention. Listening is a specific type of active interpretation that shapes our realities.

This largely unknown and certainly unrecognized skill is critical in the new business
world. By blindly creating and/or tolerating working conditions in which people do not and often cannot effectively listen to one another, we kill productivity and profitability.

This lack of listening can be the result of degenerative moods (e.g., institutionalized mistrust, resignation, or resentment), technology addiction (which can make it difficult for some people to actually talk to others), or a simple incompetence for speaking and listening. Regardless of the reason, if people are not listening to each other, accomplishing anything significant becomes extremely expensive, and making effective changes becomes all but impossible.

According to the International Listening Association, more than 35 studies indicate that listening is a top skill needed for success in business. Yet, less than 2 percent of all professionals have had formal education or learning to understand and improve listening skills and techniques.

Too many organizations today have created and tolerated a range of practices in which creativity, innovation, and the fundamental expressions of our thoughts and feelings about our work and our futures are ignored or spurned. This lack of listening is a tremendous source of waste.

Shift Your Understanding

If the popularity of social media has taught us anything, it is that people like to be heard. As human beings we value our own opinions, and we want others to value them as well.

The same is true in business. Our clients, customers, partners, and employees expect us to listen to them. Rather than being told what they want, they expect us to listen as they tell us what they want. We must now shift our actions toward collaboration with customers, suppliers, and investors to create mutually beneficial relationships.

All of this means knowing how to truly listen. We attune ourselves to other people, and together we build competence for speaking, listening, and building trust.

This will require a dramatic shift in the way we train our leaders, managers, and team members, but it is the key to inventing new, more powerful futures together. Instead of tired practices like “active listening” (whereby one is taught to parrot back what someone says, which only shows that you heard what was said, not that you understood), our teams must develop a new set of competencies in which they learn to clarify what they interpreted in a conversation, not what they heard. Their interpretations are what matter, as their actions will be driven by their understanding of what they hear, not just the words.
Silent Killer #3: Bureaucratic Styles

To most people, bureaucracy is a bad word, synonymous with “red tape” and wasted time. Yet, despite the negative connotations, most companies still operate bureaucratically—insisting employees work inside of increasingly complex structures with processes and procedures designed to standardize or control everything. While this might have been the most efficient way to train assembly line workers during the Industrial Era, human capital is now the greatest resource for most companies. In other words, we’re paying people to think, to innovate, and to collaborate with others to produce the best possible results. You can’t achieve this level of performance if you attempt to dictate their every move with rigid policies and procedures.

The fall of many of our great companies—including GM, Chrysler, AT&T, DEC, and a host of others—is a testimony to bureaucratic blindness. Unfortunately, contemporary management theory offers no alternatives to this style of organizing work and designing organizational structures. Current hierarchically oriented systems—no matter how lean and “matrixed”—are relics of the bygone era of WWII industrialization and manufacturing.

In the new business world, bureaucratic practices are becoming increasingly dangerous. They not only kill productivity and profitability, they also kill the generative moods of ambition, confidence, and trust that are essential to building consistent competitive advantage.

Shift Your Understanding

Rather than designing complex structures that dictate how employees must complete tasks, today’s leaders should be focused on providing platforms for people to come together, address their concerns, and invent futures together. This process is called commitment-based management, and it will be as powerful for the next generation of managers as quality was for the last.

With commitment-based management, people learn to build structures and processes that enable the smooth flow and tracking of commitments, as opposed to activities—the current norm. While everyone knows organizations are more than just lines and boxes on a chart, the commonly expressed idea that “the people are the organization” is misleading. It is not the people that make up an organization; it is the network of commitments they make to and with each other on a daily basis. Companies generate value when these commitments are clear and crisp and are fulfilled on time, on budget, and as scoped. But when the commitments are unclear, late, over budget, or scaled up or down, companies generate waste (what we call “coordination waste”).

The vast majority of companies are blind to this underlying phenomenon and have no means to intervene other than to cut costs, declare new rules and processes, or reorganize—none of which will make a difference.
Commitment-based management is a radical departure from the current standard practices and will require some dramatic changes in the way that we think about and design work, structure organizations, reward and recognize performance, and shape cultures.

Silent Killer #4: Worship of Information

In our rush to “modernize” everything and make our enterprises more efficient, we have mistakenly come to believe that information is our most valuable commodity. But data and information are useless without human beings to interpret them. These days, computers can do just about anything—except think for themselves. But we have come to tolerate the illusion that the essential matters of work can be invented, managed, and sustained through the creation, storage, retrieval, display, and publication of information.

Contemporary information systems are blind to many of the key drivers of productivity and have consistently failed in their quest to integrate the diverse operations of a company. By making information the priority, we have lost sight of its fundamental purpose—to enable the people to effectively address the concerns of their customers.

Rather than attempting to replace people, our IT systems, processes, and products should be aimed at enabling the human cooperation, collaboration, and innovation that are essential to growing a business. No matter how impressive or “efficient” an IT system claims to be, it will never replace the passion, joy, creativity, and spontaneity of people—all of which are essential to generating competitive advantage.

As people deal with the inadequacies, breakdowns, and sterility of most modern information systems, they find themselves unavoidably generating waste and unproductive moods. In fact, workers report wasting an average 42 to 43 percent of their time on the computer due to frustrating experiences, according to a study by researchers from Towson University, the University of Maryland, and Carnegie Mellon University.

Shift Your Understanding

Rather than designing information systems to manage the movement and protect the security of information, we should be developing and continuously redesigning information systems that enable people to more effectively communicate with one another, coordinate their efforts, mobilize their resources, and take action.

For example, consider e-mail. What was invented as a means to replace the post office has now become the most common management tool in organizations. Rather than walking down the hall or picking up the phone to actually talk to our colleagues or employees, we have replaced conversation with impersonal electronic communication. It was never designed for that purpose and is, in fact, ill-suited to managing the complex web of commitments that are the organization.
Concerns for legacy systems and the defense of historical practices must not be allowed to limit the capacity for people to work together effectively. Currently this is the rule, rather than the exception. But a new generation of coordination tools is available, and the innovators of the world are using them.

**Silent Killer #5: Suppressing Innovation**

Thanks to the bureaucracy and lack of listening that exists in most companies today, we have created working environments that stifle the creativity, original thought, and innovation that make our human capital so valuable. As such, it has become all but impossible for many organizations to adapt to our changing business world. Simply put, an organization that cannot innovate is dead; the only things missing are the inevitable funeral and suffering along the way.

Many organizations confuse the occasional “lightning strike” of a new idea or product innovation with having a culture that fosters innovation. But for this to truly be the case, innovation should not be something that happens every once in a while; it should be viewed as a critical competence—a skill to be developed, fostered, rewarded, and embedded into the workforce.

The greatest enemy of innovation is modern management. Contemporary management practices are geared toward ensuring stability and predictability, and avoiding surprises or “problems.” But innovation is unpredictable, even disruptive. Thus, in many organizations, innovators are largely suppressed for the sake of “productivity.” Ironically, this only kills productivity in the long run.

**Shift Your Understanding**

In the new business world, innovation should not be restricted to product development. We should be encouraging our teams to approach every area of the business innovatively—including customer service, processes, organizational design, marketing, and leadership. Innovation should not be something we plan to do in a brainstorming meeting; it should be an everyday occurrence—the result of a culture where people are constantly designing and redesigning the way they work, the vision they want to accomplish, and the future they want to make a reality.

An innovative organization like this can only exist when leaders are willing to embrace diversity; set aside bureaucracy; listen to the continuously changing concerns of their employees, customers, suppliers, and investors; and encourage people to do that thing that makes us more valuable than computers—*think*.

**Silent Killer #6: Modern Indentured Servitude**

Today’s world is one of sharp contrasts. As a society, we have more choices, opportunities, wealth, and prosperity than at any other point in human history. Yet, we are also more depressed, dissatisfied, and despondent than ever before.
In fact, more than 21 million Americans are depressed, according to Mental Health America, costing U.S. companies more than $31 billion each year in lost productive time.

A key contributor to this malaise is our contemporary view of work—that it is an endless series of “things to do,” things which have commercial value for the enterprise but produce little or no sense of value for “me.”

As a result of the five wastes previously discussed, we have inadvertently created a kind of “modern indentured servitude.” We sell ourselves into service in exchange for a paycheck and have only fleeting “real” lives after or outside of work. In this modern malaise, many people feel like victims, trapped by their need to make a living, prepare for retirement, support families, and deal with modern life. We ignore, diminish, or distort the possible ways that work can bring meaning to people’s lives.

To have our work be seen as nothing more than modern feudal toil saps all our strength and turns people’s working lives from a source of inspiration and contribution into a futile search for meaning. Those in senior-management roles may have trouble seeing or identifying with this phenomenon and may mistakenly assume it only happens in other organizations. The executive floors are largely immune from this and, at the same time, unconsciously responsible for it. They are the ones who design or tolerate the practices, processes, structures, moods, and measures that create it.

One of the symptoms of this mess is the new degenerative mood of “overwhelm.” Resignation, resentment, arrogance, distrust, and cynicism have been with us forever, but overwhelm is a creation of our times. The narrative for emotion sounds like this: There is too much to do, too little time, and too many things pulling at me. I don’t have enough energy for this, and it is never going to stop.

Overwhelm and the resignation and panic it generates are great wastes and very effective killers of productivity and profitability. No enterprise can survive for long with an organizational culture that produces modern indentured servitude.

**Shift Your Understanding**

When leaders are willing to make the shift away from bureaucratic work styles and structures, develop listening as a key management competence, generate cultures that welcome innovation, and build systems and processes that support this new way of working, their people will once again experience meaning and purpose in their working lives. Their interpretation of themselves at work will shift from feeling as though they’re renting out their bodies or brains to feeling like partners with their organizations—in which their contributions to the financial strength, practical knowledge, and reputation of the company are also a route to developing their own financial success, competence, and identities in the world. From this vantage point, work ceases to be toil and becomes a source of meaning and inspiration.

We at the Human Potential Project are not naïve dreamers who think the transition to
this new way of working will happen on its own or overnight. It won’t come as the result of good intention, a series of memos, or a new set of offerings at the corporate university. Nor will everyone welcome the changes that are being called for if we are going to reinvent ourselves and our companies to be competitive in this new business world. But leaders who embrace this new way of working will become the stewards of their organization—creating the necessary changes, eliminating the “modern wastes,” and ushering their companies into a future where they’re strong, lean, and poised for success.

Eliminate these modern wastes -- silent killers of productivity and profitability -- and transform your organization!

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