

Notes from Duke's Casebook

Volume 7, Issue 1

The Take a Second Look Edition

June 30, 2010

About this edition

Things are not what they appear to be.

The theme of this newsletter is to keep your eyes open. In writing it I was struck by how often I used the phrase "upon closer inspection." First impressions are sometimes wrong and in these articles I'm suggesting a second, considered look often yields a deeper truth.

Duke Kuehn
June 30, 2010

The Facilitator's Toolbox: Getting to the truth of the matter

When things go wrong in organizations, even technical failures, the first reaction of many managers is to find who is at fault. The reasons for organizational breakdowns, however, are less likely found in people and personalities than in systems and structures.

It makes sense to start looking for flaws in individuals; people are the agents of organizational functions after all. It is a fallacy, however, to reduce analysis of organizational problems to the personality attributes of one or more parties.

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LONGER VERSIONS OF EACH OF THESE ARTICLES CAN BE FOUND AND DOWNLOADED FROM MY BLOGSITE: WWW.DUKEONLINE.BLOGSPOT.COM

PAST NEWSLETTERS CAN BE FOUND ON MY WEBSITE: WWW.PNWCONSULT.COM/PAGE6.HTML

Find the Competitive Advantage to Dominate Your Market Niche

Among the back to basics ideas I am championing these days is getting the most out of your competitive advantage.

Competitive advantage refers to the ability of an organization to draw upon its distinct properties to occupy a better market position than your competitors as far as clients are concerned. This idea originated with Michael Porter in, *Competitive Advantage: Creating and Sustaining Superior Performance*.

Porter recognized that corporations and nations alike gained marketplace advantage from things like access to natural resources or a highly skilled labor force. Over time the conventional use of the term has come to indicate anything that makes you or your firm more desirable to your clients and customers.

What's most important is your ability to accurately identify and exploit your advantage against those of your competitors. You cannot, however, profit from those advantages unless you know what they are and how they line up against the advantages possessed by your competitors.

This is a simple idea with profound implications... understanding your true competitive advantage allows you to position your organization in such a manner that competitors find it too difficult or costly to pursue your clients. Clever application can lead to an unassailable position in your niche of the market.

To do this you have to identify those features of your business that separate you from the competition in ways that clients deem valuable. This requires some careful analysis, because there are many things your clients believe are valuable, for you and your competitors... those traits you *both* share are NOT competitive advantages. Clients expect firms to work hard and be honest.

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Toolbox: Just the Truth *continued from page 1*

To be fair, managerial misperceptions are usually based upon listening to the way in which the people describe their circumstances. The most common explanations I hear for breakdowns in *organizational* systems are:

- * A personality conflict.
- * A communications breakdown
- * Someone lied.

While there may be some truth to each of these explanations (obviously people are involved) the truth of the matter is that breakdowns in organizational settings are more likely rooted in the setting itself, not the people. The two most over-looked explanations of why things go wrong are organizational structure/systems and organizational culture.

The way in which organizations structure how decisions are made, implemented and communicated and the cultural values that guide how those decisions are many times a better explanation of what has gone wrong than the deficiencies of any one person or a group.

Of course, individuals and the personality traits of people surely color the way in which these problems are expressed, but the "spin they put on the ball" should not distract from the fact that the ball was already in flight. Good analysis looks beyond the individual and seeks the source of the problem deeper in the organization itself.

Here's an example. . Sally is a division manager; George is a human relations specialist and they routinely struggle over policy issues. He sees her as a "loose cannon;" she sees him as a "tyrannical bureaucrat." Their public discussions and private communication are increasingly acrimonious, to the point that their supervisor, after repeated efforts to get them to work together, calls me. *continued on page 4*

Duke's Rule #55:

Measure twice; cut once.

This carpenter's rule of thumb is a brilliant piece of advice for managers. Always take another look. Things are often, maybe usually, not what they appear to be and we can be deceived by the illusion of the moment. All of us pride ourselves on our lightning analytic abilities, but quick impressions only give a glimpse of what's on the surface. Take another, longer look. Then act.

The Strategic Gourmand: The Perfect Manhattan Revisited

I've discussed the merits of a well-made Manhattan before. I've even gone so far as to claim the definitive recipe for the "perfect" Manhattan. Pride truly goes before a fall. It is with bittersweet emotions that I am forced to concede that my championship Manhattan recipe has been unseated, replaced by one concocted by my son, Matthew.

Matt, having spread the gospel of my Manhattan-shaking prowess provoked the curiosity of his colleagues in the Washington State Attorney General's office. As one might expect, inquiring legal minds demanded evidence to support my claim, so at the invitation of John Long, a fellow AG who agreed to act as host, I entered the first, perhaps annual, "Manhattan Project." When the last glass was drained, I fell aside defeated at the hands, irony of ironies, of Matt.

So how did Matt do it? It has to do with cherries and sweet Vermouth. He took the fundamental Manhattan dictum to heart: if you err, err to the sweet. He found truly exceptional tasty sweet Vermouth, *Vya*, crafted in the Central Valley of California. Not too sweet and very smooth, this vermouth is an aperitif and a couple of glasses of *Vya* may cause you to set aside the mixing of cocktails altogether. Matt also figured out that the cherry makes a big difference and he dismissed the traditional Maraschino in favor of regular canned cherries marinated overnight in *Vya*. Matt adds a dash of bitters, too.

Matt's recipe:

Start with a chilled metal cocktail shaker. Add ½ cup crushed ice.

Pour in 3 ounces of top shelf bourbon (I prefer something smooth like Makers Mark).

Add 1 and 6/10 ounces of sweet vermouth (Vya preferred, Martini and Rossi is a good second).

Splash a dash of cherry juice and a dash of Angostura bitters.

Shake vigorously, until the OUTSIDE of the frosted shaker is really cold.

Pour gently into a chilled glass (add a Vya marinated-cherry to the bottom of the glass before pouring).

Enjoy

Next newsletter I'm ready to take on the challenge of the best cheeseburger again. Recommendations?

Use Your Competitive Advantage from page 1

You're not going to be able to point to honesty and hard work as competitive advantages.

You find your competitive advantage by assessing your traits and determining which ones imply value to your clients and present an advantage in the marketplace. Advantages could be as obvious as location, access to certain types of resources or years of tested experience. I have one client whose competitive advantage is control over a few blocks of warehouses in a small city next to a large urban market. To compete against him would take too much resource for a competitor to gain market dominance. And if they did, many larger competitors, wouldn't find it big enough for them.

Another client's competitive advantage is that the firm manages a rather complicated process that would be very difficult and costly for competitors to replicate. In fact my client concedes the "easy part of the business" to his competitors choosing to address the complexities of the one he dominates.

For example, my nickname "Duke" has been a tremendous competitive advantage, as has my uncommon given name, Lowell. "Duke" is a brand of sorts and it's my job is to make sure that clients pair the name with valuable things like strategic planning or executive coaching.

Analyze your firm next to your competition. Ask what they do better than you and what they possess you don't. Look for what is unique to you. Your list of traits will be long, but you can eliminate most of those items... many are of no real advantage and, if possible, you don't want to compete head-to-head on them. Remember, you want to gain separation from the competition. Your aim is to occupy an *unassailable* market niche. Concede their advantages to your competitors; beat them on the unique value you bring to the market.

Talk to your clients to get inside their decisions. It may be your advantage to them

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Some Recommended Summer Reading

I endure a lot of airport and flight time by blanking out everything around me. I've found a good mystery novel is the best antidote for screaming babies, cramped seating and the third showing the *Shrek*. Mystery series work best for me and I'm sharing a list of my favorites here (with appreciation to Skip Corsini, my brother-in-law, who takes an interest in what others read). My picks:

Laura Joh Rowland.... Ichiro Sano is the Shogun's Most Honorable Investigator of Events, Situations, and People in 16th Century Tokyo. Really clever complex plots; lots of political intrigue and intriguing detail about Japanese society and culture.

Michael Connelly.... I love hard-boiled homicide detective Harry Bosch. The Bosch books are backed up by other novels with plots tied around people connected to Harry. Wonderfully cynical.

Randy Wayne Williams.... The Doc Ford series... marine biologist by day, CIA operative by night. If you like boats and the gulf side of Florida, these are fun.

Homer Hickam... author of *October Sky*, he's got a nifty little set that takes place during WW2 off the Carolina coast... Josh Thurlow series. Like Williams, water and boats are a great mix.

John Burdett... Sonchai Jitpleecheep... Harry Bosch in Bangkok. Wonderful infusion of Buddhist thought applied to crime solving. *Noir orientale*.

Carl Hiassen... more Floridiana, but a terrific writer with a great light touch and delightful characters with off-center views of the world.

Steven Saylor... always been curious about ancient Rome this is a great introduction to what life must have really been like, including the bad guys. Who could resist Gordianus the Finder?

Bruce Alexander... the Blind Beak,, Magistrate Sir John Fielding, is assisted by his ward, the orphaned Jeremy Potter, and the derring Bow Street Runners in cleaning up murder and mayhem in 19th Century London. Alexander died a couple of years ago, but this wonderful series is a great read.

Stieg Larsson... detailed plots takes forever to unfold, but compelling reading. Mikael and Lisabeth (the Thin man and Nora they're not) make a great team. Who knew Stockholm was so kinky!

Sujata Massye... modern Japan, a great protagonist, Rei Shimura, a Japanese-American antique dealer, solving murders in the Bay Area and Tokyo.

Use Your Competitive Advantage from page

Is something you didn't know and is not directly related to what you perceive as valuable. I once won a big contract because the client liked the fact that I was a white-water rafter (his brother was one, too).

Knowing and exploiting your competitive advantage goes hand in hand with relationship marketing. Market position is partly defined by how you are bound together by the highly personalized advantages you bring to the market. You are linked to clients (socially as well as commercially); these points of connection represent markets where your affiliation is an advantage. If this is a new idea to you, check out a webinar I did for NAR... it will help you build and maintain client relationships: <https://realtor-org-commercial.webex.com/realtor-org-commercial/Isr.php?AT=pb&SP=EC&rID=41044467&rKey=6c1a68096ee744bc>

You may be surprised at what works to your advantage. I once asked a client, who was a master sales professional in his own right, "How would you market me?" He asked me to recite my elevator speech signifying in which I cite my professionalism, wisdom and diligence. I was somewhat put back by his answer. "Everybody markets themselves in terms of those things. You know what you're good at?" Sheepishly I had to admit that I didn't. He told me. Since it's a proprietary secret I'm not going to share it with you, but I changed my marketing strategy and won business.

A good way to find your distinct competitive advantages is to take a close look at your mission. Your mission should be a clear statement of the competitive advantage you bring to the market... a proclamation of what you do that places you in the same market as all your competitors, but also separates you from all of them in terms of the unique value you bring to your clients.

The lesson is clear: compete using aspects of you and your business that are advantageous to you and you alone. Make it hard, if not impossible for anyone to compete directly against you. Dominate your market niche and, if you can, stay out of others.

Truth or Not?

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Their boss tells me there is a "personality conflict" between two of her key managers and I'm asked to fix it. Sure enough, I interview everyone and the accounts are pretty much the same. Sally lists all of George's undesirable traits and writes him off as "impossible to work with." I hear the same story about Sally from George and he tells me "I can't work with her anymore."

There's plenty of data to point to a personality conflict, but now is the time to look beyond the personal aspects of the conflict. The personalities are relevant, but not central to the explanation of what's gone wrong here. There is value in interpreting their conflict to be a symptom of something wrong in the organization itself, either a systematic problem or a conflict in cultural values.

Turns out the problem with Sally and George really had to do with the *roles* they were assigned. Sally really objected to having to get many of her decisions approved by George who was neither her superior nor in her reporting line. In carrying out the responsibilities of his role, George was perceived (correctly) by Sally as a road-block and a time-sink that got in the way of her trying to carry out the responsibilities of her *role* (which led George to see Sally [correctly] as pushy, impatient and disrespectful). And, of course, the more Sally objected to George's "interference," the more he felt disrespected by Sally and the more difficult it became for her to get assistance from him.

That's just an example, but I hear them every day. If it isn't a dispute about roles and responsibilities it's a conflict over contrary values bred within the same organization. I could have taken the same example and shown how it exemplified the values of productivity and efficiency held by the operational manager, Sally, and the values of policy and rules held by an HR staffer, George. I'll use another blog post at a later date to describe the conflict inherent in any social enterprise as operational, managerial and technical values collide (it ain't pretty).

Ok, so what is the truth? It's there, but you have to work to figure it out. Just keep in mind: everyone's position in an organization allows for a unique, but distorted view of the truth. To solve organizational problems you need to learn how to combine these various accounts and come to a sense of what may be true. In fact, understanding the source and nature of the distortions may explain much about why people think and act as they do. While it's tempting to see problems as tied to the personalities of the people involved, quite often the root causes are to be found in the structure, systems and cultural values of the organization itself.