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A Conversation About Conversations

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Ray Stata is CEO of Analog Devices, Inc. His interest in applying Fernando Flores' ideas to improve management practices at Analog led to CQM's most recent study on conversation.

[Editorial comment: On February 8 and March 28-29, 1994, Ray Stata spoke to employees of Analog Devices on the importance of conversation, trusting relationships and a model for improving the way people make and keep commitments as key tools for a next jump in productivity. The following text was edited from the transcripts of these two presentations with the intention of maintaining the informal and personal nature of Ray's presentations.]

Improving the quality of relationships and the quality of conversations is key to making our new organization, work by helping people who are geographically separated and who don't know each other very well work more effectively together. Also, the quality of relationships and conversations is at the core of learning to work effectively in teams, which we believe will become an essential competency for competing in the future.

The Link to TQM

To begin, I want to emphasize that this subject is not a new fad that is different from or in lieu of TQM. Rather, so far in TQM we have focused on the hard stuff to facilitate improvement work — that is, the tools and methods, like Seven Steps problem-solving, Voice of the Customer (VOC) and hoshin planning — and we shall continue to do so. But as Tom Malone of Milliken says, the soft stuff is actually more important than the hard stuff and much more difficult to master. A lot of companies with mature TQM programs are coming to this same conclusion, but they don't understand how to improve the soft stuff.

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

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

What do managers do anyway? The traditional model depicts managers as decision-makers. One view of empowerment, to which I don't subscribe, is that you only need to go to your boss when you need a decision you are not authorized to make. Of course, making decisions is part of the job. But in the real world managers mostly engage in conversations, both written and spoken, to understand and resolve concerns and conflicts, to reach agreement on goals for action, to deal with breakdowns — a lot of this is done through skillful listening and speaking. So we can say that the most important and universal tool and process that managers use is conversation, and the most important skill is the ability to make intended actions occur through articulating, eliciting and coordinating commitments.

Conversations for Possibilities

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

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

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

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

Conversations for Action

But even achieving enrollment and alignment is not enough. Visions have to be translated into action. To bring about the desired changes, you have to elicit commitments not only to ends, but also commitments to the means of achieving them, with explicit, mutually agreed conditions of satisfaction. Too often, I have left conversations open ended with the belief that people would know what to do to meet my expectations. But they didn't know because they are not mind readers. The job of leaders is to make sure that the interpretations of their expectations are accurate; that is, who will do what by when, where and how? The response to a request for action can be yes, no, let's negotiate, or let me think, or I'll get back to you by a certain time. But you need to have closure and precision in both the request and the response. We can think of this dialogue as conversations for action as opposed to the conversations for possibilities that I first discussed.

Conversations for Breakdown

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

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

Breakdowns occur for many reasons, but most often because of misunderstandings. That is, the conditions of satisfaction are not clear or not mutually understood. As I said before, when you make a request, you have the responsibility to make sure that your request is properly interpreted. There are lots of ways to get closure on interpretation, essentially through inquiry, but you have to work at it.

Sometimes breakdowns occur simply because we forget, so we need to install a fail-safe tickler system. Sometimes breakdowns occur because we make commitments in all good faith, but without visibility on other commitments that overload our ability to fulfill them all. We need a tracking system that gives visibility to our commitments so we can be more thoughtful about our ability to deliver on our promises.

Sometimes breakdowns occur because of random events or because our assumptions about the world are proven wrong. In this case, or whenever we learn we can't deliver on our promises, we need to inform people to whom we've promised something as soon as we know we have a breakdown so they can evoke contingency plans.

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

When breakdowns do occur, it doesn't accomplish anything to complain. Convert those complaints into requests or suggestions for correcting the situation or making it better the next time. If we do complain, the complaint should be grounded in learning the importance of commitments and the consequence for others when they are not met.

Conversations for Completion

What do we say when people successfully meet their commitments with no glitches? The answer is we usually say nothing. But in fact it's a time to celebrate, since it happens so rarely. Or, at least, we should say "thank you, I appreciate it." It's simple, easy and important, and yet I know I don't do it very often, and I suspect many of you don't either. It is motivating and empowering to recognize success and to give public credit to the source. We can think of this as conversations for completion to explicitly close out successful conversations.

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

Conversations for Relationships

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

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

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

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

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

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

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

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

We are extending our model for customer satisfaction to include metrics for responsiveness and innovation. But, whatever metrics we pick will be at best a proxy for the real customer concerns. The point is that we cannot confuse conditions of satisfaction, which is an assumed model, for the real thing; that is, your partner's true concerns, both inside and outside the company. Concerned listening, then, is not only a skill to improve personal relationships and management effectiveness, but also a skill to execute the true spirit of the market-in concept.

There is a much more complex set of conversation skills and/or impediments that can have a tremendous impact on our effectiveness as managers and on the quality of relationships. TQM teaches us to manage by facts. Understanding and processing the hard stuff, that is, the numerical data, is straightforward. But understanding and processing the soft stuff, that is, language data, is extremely difficult. What is or is not a fact in language data can be and often is elusive, not because we are dishonest, but sometimes because we believe it is imprudent to reveal our true thinking or intentions. Or, in other instances, we react automatically in what we say because of subconscious defense barriers which we are not even aware of, or because the intention of what is said and the interpretation of what we hear go through our embedded filters. Our job as managers is to learn how to clean up the language data so that conversations achieve their intended purpose. We have to distinguish between reality and our assessments or inferences about reality.

I believe that our conversation skills coupled with our commitment to each other's success largely determine the quality of our relationships.

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

Once two people really understand what each other is saying, they are usually able to work well together. When things flare, as they sometimes do, it is because we lapse back into bad conversation habits. That is, we find ourselves advocating and defending points of view without taking responsibility for the interpretation of what we are saying and without being committed to understanding the impact of what we are saying on the other person's position. Once we take the time to engage in competent conversation, the conflict usually dissolves.

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

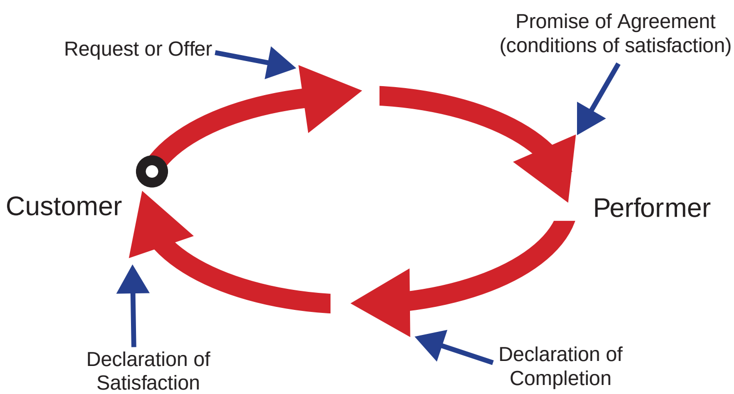
One of the skills for successfully achieving mutual success — for making and keeping commitments to each other — is the atom of work, which I'll describe next. Few things damage a relationship more than failing to keep commitments, and routinely keeping commitments makes any relationship stronger.

The Atom of Work

The acts of making requests and responding to requests are major business processes that offer tremendous leverage in creating a high-performance, responsive organization. The human element of these processes — that is people's motivations, concerns, fears, ambitions and most important commitment — is the primary determinant to how effectively these processes are executed.

Fernando Flores, whose books and articles have had a big influence on my thinking, invented the notion of an atom of work as the fundamental building block of all business processes. It is a way of operationalizing Conversations for Action.

Atom of Work



In this model, most transactions between people in business boil down to requests and promises on the one hand, and offers and acceptances on the other. What is often missing from these transactions is a clear understanding of the conditions of satisfaction, including the requested response time. Also, there is often no explicit declaration of the completion of a promise or a check to see if the performance was satisfactory to the customer.

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

For recurring transactions, like bank loans, or order entry, formal systems are set up to standardize the requests and conditions of satisfaction. For system level or custom products, order entry is less standardized and reaching agreement on the condition of satisfaction is often the most significant part of a successful transaction.

But, what do you do when the conditions of satisfaction are met, on time, yet the customer is still not satisfied? To address this, Flores talks about the importance of building trustful relationships with customers. At the center of any transaction between people are the underlying concerns of the customer and performer which intersect in a domain of common interest. In a free society, a successful transaction occurs only when the concerns of both the customer and the performer are addressed. An agreement between customer and performer is based on a mutual exchange of value. That value is determined partly by the factual conditions of satisfaction, but also by an assessment by the customer of the performer. Can I trust this person? What are the risks and consequences of failure?

Customer satisfaction depends not only on the performer meeting the agreed upon conditions, but also on whether or not the outcome addresses his or her concerns. Flores goes on to say we should look beyond just satisfying the conditions of a particular transaction to building trustful relationships with customers. Trust is built over time through performance. Also, trust is based on the customer's assessment of your sincerity, competence, and involvement; that is, your commitment to a successful relationship. Customer relationships where trust is established are a very valuable, but hidden, asset of a company.

This concept of the Atom of Work sounds simple. However, the capability to reliably and consistently meet commitments across a company depends on linked networks of requests and promises. In most instances, these networks are never explicitly designed; they just evolve out of necessity. Therefore, the importance of negotiating clear, precise conditions of satisfaction based on a comprehensive understanding of the next step in the process, and meeting commitments at every step, is critical. This is the part we need to work on at Analog Devices.

Once a well-designed process is up and running, we're still not completely out of the woods; there is still the potential for breakdown. One cause of failure is a reluctance to blow the whistle when a breakdown occurs. This is less of a problem with external customers. Good customers usually try to work out problems with performers. If that doesn't work, they quickly seek the process owner or a higher authority to insist the promises be met. Often this can result in a better long-term relationship between partners. The performer recognizes the "right" of external customers to make this appeal. Internal customer-provider relationships are different. When someone fails to meet a promise or even respond to a request, an internal customer is often reluctant to squeal on a peer. You just do your best and live with the consequences. Over time, this erodes the relationship and degrades the entire company's performance. The challenge is to escalate breakdowns in a way that produces constructive results for all parties.

Obviously, it would be counterproductive to escalate every disagreement. Most transactions should be worked out between the customer and the performer. However, honest differences on critical issues need to be resolved. The process itself may need to be changed or the skills of the provider may need to be upgraded. There could be a real or perceived conflict between the interests of customer and performer. The worst thing is to let these differences fester when discussion with the process owner or higher authority level might reveal a possible resolution. We need to establish a shared mental model of business processes where breakdowns are interpreted and dealt with as system defects — not personal conflicts.

I am confident that if we start to think about the process of commitments as a closed-loop system with declarations of completion and satisfaction, and focus on exploring why breakdowns occur within this system, we will take a big step toward becoming a more responsive company — responsive to our customers and to each other.

The Center for Quality of Management Journal is a forum for disseminating the experience of organizations learning to implement modern management practices. It seeks to capture experiences and ideas that may be useful to others working to create customer-driven, continuously improving organizations.

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