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Conscious Business

Summary of "*Conscious Business*" by Fred Kofman | June 2007

The purpose of this summary is to spread some of the wonderful insights from Fred Kofman's book *"Conscious Business"* to a larger audience and subsequently increase the sales of the book as well as its impact on business practice.

Therefore, I urge all readers who like the following material to buy two books, one for yourself and one to give away.

Greatness is not a function of circumstances.

Greatness … is a matter of conscious choice.

JIM COLLINS - "FROM GOOD TO GREAT"

In his book *Good to Great*, Jim Collins describes his research into what drives average companies to take the quantum leap to become extraordinary. Based upon his extensive research program, Collins describes the profile of successful leaders (Level 5 executive) and their actions. However, Collins subsequently argues that he doesn't know how to develop these level 5 leaders, as the inner personal development of a person remains "a black box".

In 2006, Fred Kofman published a book, which he himself described as his "effort to unlock the [Jim Collins'] black box of leadership. The key that he presents is a set of attitudes, values and practices that he defines as "conscious business".

This text provides a short summary on the main arguments and tools from that particular book, as it provides key insights into the most intangible yet rewarding challenges of embedding business resilience: personal leadership.

Seven qualities of conscious leadership

The seven qualities of conscious leadership that Fred Kofman describes are distributed in the following three interdependent categories:

- Three characters attributes: Unconditional responsibility, essential integrity, and ontological humility.

- Three interpersonal skills: authentic communication, constructive negotiation, and impeccable coordination.

- One enabling condition for previous six: Emotional mastery

The following section provides a short elaboration on the above qualities.

Unconditional responsibility

Response-ability is a person's ability to respond to a situation. The unconditional element refers to the fact that even in the face of factors beyond one's control, there is always a degree of choice in determining how to respond, regardless of the specific context.

However, over time, habits and reaction patterns form and people tend to lose consciousness of their choices and consequently start to act in an automatic fashion. The moment people lose consciousness of their ability to choose, they relinquish their personal autonomy to the stimuli in the environment that trigger their automatic reactions, as if they were powerless victims.

However, people are not robots. They make choices. "You don't answer a phone *because* it rings. You *choose* to answer the phone *when* it rings, *because* you *want* to." According to Kofman, the more conscious one is of this autonomy, the more unconditioned the responses will be.

The problem is that acknowledging that one has a choice is often uncomfortable, as giving up the shelter of "choicelessness" and external blame, is to place responsibility internally, which automatically implies accountability. Just imagine the difference in picking up the phone in a meeting while saying "I have to take this call" or "I choose to take this call." "It's awkward admitting that the phone call is more important to you than the conversation – so you mask the thorny truth. It's much easier to blame the phone than to take responsibility for the interruption."

Acting from unconditional response-ability is self-empowering and allows for a whole new attitude and creativity to tackle problems. Once you see yourself as part of the problem, self-empowering explanations arise. You have no influence over the rain, but if you explain your wet clothes by the fact that *you* forgot an umbrella, you start to see yourself as an actor, with freedom of choice and power. And consequently, next time it rains, you'll probably bring an umbrella.

Essential integrity

In organizational life, success of an action is mainly evaluated in terms of outcome success. Essential integrity adds another evaluation to action, namely the degree to which your actions are an expression of your values, where high alignment between a person's values and actions leads to high levels of integrity. According to Kofman, in the long term, integrity leads to a higher goal than outcome success, namely, "success beyond success" or "what wise men have called a 'good life'".

Now in practice, organizational goals and personal targets often challenge a person's integrity. "In those moments you face a question of priorities: you place integrity first and subordinate success, or you put integrity second and uphold success at all cost."

According to Kofman, managers often experience a trade-off between integrity and success, as respecting essential values imposes constraints on behaviour; constraints that do not affect those who disregard them. However, Kofman argues that in the long run the pursuit of success beyond success absolutely increases one's ability to achieve ordinary outcome success.

To begin with, on a personal level, integrity is related to a reduction in levels of stress and an increase in satisfaction, factors which positively impact health and work motivation. Secondly, unethical and dishonest management behaviour sets an example that easily leads to an uncooperative culture; a culture that undermines trust, responsibility and accountability. Thirdly, integrity provides a wider interpretation than outcome success. Whereas success tends to focus on the local subsystem and the short term, integrity focuses on more systemic and long-term consequences. Fourth, integrity constructively builds stronger and more resilient interpersonal relationships, while a sole focus on success is a potential and often very probable disruptor to interpersonal bonds. All the above values have been shown to be a key to sustainable business success.

Ontological humility

We do not see things as they are.

We see them as we are.

-THE TALMUD-

Ontological humility is the acknowledgement that you do not have a special claim on reality or truth and, that others have equally valid perspectives deserving respect and consideration. This attitude is opposed to ontological arrogance, which is the claim that your truth is the only truth. Even though it may make sense intellectually that people have different perspectives, most people do not naturally act from this understanding, especially in the midst of disagreement or conflict.

Kofman's distinction between people who hold the belief "my truth is the only truth" ("controllers") and the belief "multiple perspectives are valid" ("learners") explicates two different approaches to disagreement. A learner, who understands that his rationality is limited and that other people's perspectives are complementary, is highly

motivated to inquire during disagreements and use errors as an opportunity for learning.

On the other hand, a controller whose belief system is based on "I am perfectly rational and others are not" will not be open for other perspectives. If confronted with a contradicting opinion, controllers often get irritated, as this opinion not only challenges their perspective on the content of the conversation, but also their self image of "I am always right". As a consequence, personal feedback that is unaligned with their self-image is often interpreted as an unjustified personal attack for which they do not need to take personal responsibility. This can lead them to still consider themselves to be highly open individuals.

According to Kofman, the attitude of the controller is strongly prevalent in current organizations. As a result of the inability of controllers to see the discrepancy between their self image and their actions, many companies get caught up in unhealthy interpersonal relationships, demonstrated in paradoxical codes of conduct, like:

- Tell the truth, but don't bring bad news
- Take risks, but don't fail
- Be a team player, but what really matters is your individual performance
- Be creative, but don't deviate from the rules
- Promise only what you can do, but never say no to your boss's requests
- Follow all these rules, but act as if none of them exist

Kofman concludes with: "Many organizations seem hell-bent on pretending that what is happening is not really happening. To survive, employees have to accept that they are not experiencing what they experience. This puts them in impossible contradictions. Furthermore, they have to act as if these contradictions don't exist, which makes it impossible to discuss or change them. It is not surprising that stress and apathy run rampant. Repressing reality is at the core of mental illness."

Authentic communication

We tend to see ourselves primarily

in the light of our intentions,

which are invisible to others,

while we see others mainly in the light of their actions,

which are visible to us.

-J.G. BENNETT-

The challenge of communication is to share difficult information with honesty and respect, in a way that honours your values, deepens your relationships, and improves your (and the organization's) performance. To understand this challenge, consider how you would tell a colleague that you think his proposal is a terrible idea, and do it in a way that helps both of you.

Considering this difficult situation, there are two ways to handle it. The first is authentic communication, in which significant facts, opinions and feelings are outspoken, while the other person is seen as a legitimate partner who deserves to be heard and who can make her own decisions freely and with full information. The other is manipulative communication, in which relevant information is withheld and a personal agendas rule. With this attitude, there is a wide gap between public speech and private thoughts. This leads to serious problems as it is impossible to operate successfully in situations where people are not sharing relevant information; it results in the escalation of errors and breeds a culture of dishonesty and hypocrisy.

In order to consciously deal with these difficult situations, Kofman suggests that people should be aware of negative and "toxic" thoughts and take unconditional responsibility to transform these thoughts in a way that supports task effectiveness, healthy relationships, and personal integrity, in order for mutual learning to occur. Among other suggestions, Kofman provides some guidelines for productive expression: find common ground, provide facts, own opinions, recommend constructive actions, ensure comprehension and be open for feedback.

Through authentic communication, organizations can create a culture of mutual trust with a shared sense of responsibility in which errors can surface and be dealt with

constructively before they escalate. As organizational life is filled with difficult conversations, a company whose employees can deal with problems in an authentic manner will gain an enormous advantage. Clearly, authentic communication, particularly when it is exemplified by leaders, is a crucial leverage point in the development of such a culture, as leaders are the ones that create the space in which others can feel free to speak their honest opinions.

Constructive negotiation

Constructive negotiation is an approach to conflict management based upon the attitude of mutual learning. It addresses three domains of conflict: the issues (decision-making), the relationship (mutual respect) and each individual's self-worth or integrity (considering others' need and values). By engaging in constructive negotiation, people focus on winning *with* the other rather than *over* the other.

Kofman argues that conflict is an inevitable aspect of life. However, conflicts are not inherently destructive, even though it is easy to understand why people might assume this. Rather, destructive conflicts stem from the inability to handle conflicts constructively, which leads to some typical approaches such as denial, avoidance, surrender, domination, escalation or compromise. The first step in taking responsibility towards constructive negotiation is the conscious recognition that our (in)ability to deal with a situation stems not only from the situation itself, but also from our skills.

The key is that conflicts are not mysterious; they can be identified by three core elements that are necessary for conflict to arise:

1. Disagreement of opinion.
2. A certain limitation prevents each party from obtaining what each independently desires, which creates scarcity.
3. Disagreement on who bears authority (to allocate resources), or what decision-making mechanism to use in case of irresolvable differences.

In addition to these three elements, Kofman argues that it is important to take into account three dimensions on which conflict has an impact: the direct issue, the future quality of the relationship and the personal self-worth of both parties.

Amongst a detailed approach to conflict resolution, Kofman explains the importance to take away emotional charge that often arises as people identify with their opinions, which lead them to unconsciously defend themselves instead of their idea. This leads to arguments with unnecessarily high stakes. The first step to diffuse this emotional charge is by demonstrating that there is no scarcity of "rightness" or "self-worth" and both parties are entitled to a different opinion, which was mentioned above as the attitude of ontological humility. As a result, both parties might even question whether they need to agree at all for the conflict to be resolved; if not, they can agree to disagree.

The disagreements that remain are defined by Kofman as operational disagreements, in which a concrete decision is required which will have objective consequences. According to Kofman, consensus is the best way to address an operational problem, in which all parties have the right to veto and can live with the decision process that's being used. In order to achieve consensus, Kofman suggests that the different parties start a mutual inquiry into their underlying interests and brainstorm together about new options. This mutual process can lead to two conclusions: achieving outcome consensus (agreeing on what to do) or not.

If the previous steps yield no material consensus, the parties can implement an agreed upon decision-making process, such as authority, majority vote or arbitration, etc. In contemporary hierarchical organizations the regular mechanism to resolve conflict is authority; this is a reasonable option *after going through the previous steps*, as exactly these steps foster a healthy culture of open communication and mutual respect with optimal use of people's creativity, without relinquishing final control. "In a business world ruled by power struggles and dominating personalities, organizations capable of resolving conflicts constructively have a significant and sustainable source of competitive advantage" (and internal resilience).

Impeccable coordination

Trust implies accountability, predictability, reliability.
It's what sells products and keeps organizations humming.
Trust is the glue that maintains organizational integrity.
-WARREN BENNIS AND BURT NANUS-

The challenge of coordination is to make and fulfil commitments in the face of uncertainty and change. According to Kofman, this is important, as collective action requires trust and people to be able to count on each other. "If people let each other down, performance suffers, trust disappears, and anxiety reigns. The situation gets even worse when the would-be collaborators don't know how to make clear requests and hold each other accountable for their promises. This leads to a perfect convergence of careless requests, and ineffective complaints that destroy coordination, reliance, and integrity."

Kofman continues by giving examples of behaviours that lead to negligent coordination:

- not asking for what you want;
- failing to address your request to a specific person;
- not defining concrete deliverables that you're asking for;
- assuming that because the other didn't explicitly decline your request, he promised to fulfil it;
- accepting a request without understanding it;
- promising to deliver something you have no skills or resources to produce;
- not alerting the requester when you realize that you may not be able to fulfil your promise, and
- failing to contact the requester to apologize and repair the damage even after the deadline.

Additionally, Kofman elaborates on methods that enable organizational members to understand how they can constructively request a commitment, negotiate a constructive response, state a constructive complaint and offer a constructive apology. These skills form the glue which leads to a culture of trust and accountability, where impeccable coordination is found in all actions. Consequently, Kofman deems these skills to be essential for organizations that want to survive and thrive in an increasingly turbulent environment.

Finally, Kofman elaborates on the importance of the role of the leader in creating a culture of impeccable coordination. The leader needs to acknowledge and praise contribution and recognize integrity in order to encourage passionate dedication. Secondly, he needs to hold people accountable and confront broken promises in order

to discourage "polite complacency". In this manner, he should not fear to establish real consequences for breaking cultural values and integrity. The expensive requirement of working with values is that one has to live them day in day out – and challenge those who don't, even if they seem to be delivering business results, to change, or respectfully ask them to leave the organization.

Therefore, most importantly, leaders need to communicate by means of their behaviour that everybody must act in alignment with the organizational values and standards. According to Kofman, the impact of a leader apologizing to his or her direct report trumps any mission statement, and a leader inviting critical feedback from his colleagues when he or she misses a commitment trumps any training session. Not that these are unimportant, but if leadership behaviour does not validate its own espoused theories, people will observe the inconsistencies and become cynical. "Cultural change is a double-or-nothing deal. When leaders don't hold themselves and others accountable for living up to stated values, they make a bad situation worse. They create a schizophrenic organization ruled by duplicity, contempt and cynicism."

Emotional mastery

According to Kofman, the previously stated core values and practices can be demonstrated rather easily by most people, when trained in this material. He argues that a lack of awareness about these topics is mainly the missing piece of the puzzle for most people to start demonstrating these core attitudes and interpersonal practices. However, there are times when all good intentions fall apart and people behave in completely unskilled ways. In those circumstances, we find it impossible to remain congruent with our values and apply conventional tools, as emotional heat flares. To remain conscious in the midst of these situations, the final discipline that is required is emotional mastery.

Emotional mastery refers to the ability to continuously act consciously in agreement to your best abilities while confronted with stress. In other words, "when your emotional circuits are strong, they can withstand strong charges. When they are weak, intense emotions will blow your fuses and disable your conscious mind." In particular, emotional intelligence expert Daniel Goleman found in his research into 181 competence models from 121 organizations worldwide, that 67% of the abilities deemed essential for effective performance are emotional competencies. As a

consequence, emotional *in*competence is a significant handicap for people, particularly those in management positions.

A consequence of not being able to handle emotions in a constructive manner is that fears or irritations are not expressed and can build up until pressuring circumstances trigger an escalation. Therefore, emotional mastery is a key to successful interpersonal communication and behaviour.

According to Kofman, healthy emotional expressions are expressions which are adequate to life's circumstances. Problems only arise when distorted thoughts exacerbate emotions to the point that they become harmful and prevent productive expression. In order to gain emotional mastery, Kofman describes five basic competencies for working with personal emotions: self-awareness, self-acceptance, self-regulation, self-inquiry, and self-expression. These competencies correlate with five skills for working with other people's emotions: recognition, acknowledgement, influence, inquiry, and listening.

The key to emotional mastery is to reengage your awareness and choice, which disable the emotional fight or flight mechanism and consequently allow for a expansion in consciousness. At that moment, one reconnects with conscious choice to act according to the values and principles that lead to success beyond success: integrity and authenticity. This is why emotional mastery is at the core of successful organizational transformation in general, and resilient leadership in particular.

Conclusion

This paper started out with a reference to the research of Jim Collins, which indicated an intangible style of leadership, evidenced to be the greatest leverage factor to achieving organizational excellence. Hopefully, this summary of Fred Kofman's book *conscious business* shines a first light on "the black box" of resilient leadership, which is the source of more tangible aspects of organizations, such as their work climate, culture, systems and structures.

One can just imagine the power of a leader who supports all employees to work more consciously: nurturing individuals that feel empowered to take unconditional responsibility and have an attitude of integrity and openness to mutual learning. This creates a culture in which people are adequately skilled to deal with the challenges of disagreement, conflict resolution, impeccable coordination and emotional mastery in the face of turbulence. Therefore, the prospect of embedding conscious business in organizational and personal leadership seems to offer the most promising leverage point for the realization of meaningful organizational transformation, sustainable competitive advantage and successfully embedded business resilience.