Harvesting the Low-Hanging Fruit

The Easy Road to Higher Earnings

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The blinding rate of innovation over the past few decades has turned yesterday's "impossible" into today's "of course."

But one area has experienced a near complete lack of innovation over that same time period: the ways executives manage and problem solve have barely changed. In fact, management innovation has done little to nothing to ease the burden of dealing with the growing complexity and decreasing resources that most large companies face.

The key to innovating management practices lies with two old terms that frankly are now rather tired, due in no small part to the fact that so few companies do either of them well for extended periods of time. Those two terms, inextricably linked, are *employee engagement*, without which you will not succeed at the second, which is *continuous improvement*.

A 2013 Gallup study provides some depressing statistics. Only 13% of the world's employees are actively engaged at work. Worse still, 24% were so disengaged as to be likely to spread their negativity to their co-workers. And continuous improvement programs lose effectiveness over time as employee engagement wanes.

There are statistics that provide promise though. A Deloitte Australia report showed that work teams that felt highly included delivered 80% higher performance than those teams that did not feel highly included. Millennials in particular value inclusion. Inclusion begets engagement at work. Millennials expect that they will find meaning in their work and when they find it, they will engage. A large percentage want to work at a start-up, or start-up something themselves—the ultimate level of engagement.

The irony is that today's employees, when really engaged, are probably in the best position ever to contribute to the success of their employers. Workers have more collective education and skill than ever before. Their abilities have allowed them to take on substantial additional work that has been loaded on to them as economic realities have demanded that employee numbers stay low no matter the need. Of course, those teams of overworked employees are the least engaged in work considered discretionary which sadly includes looking for ways to "continuously improve."

Years ago Lew Platt, the former CEO of Hewlett Packard captured a roadblock to continuous improvement very well when he said: "If only HP knew what HP knows, we'd be three times more productive." Employees, those closest to the work and closest to the customer have the knowledge and skill that, when properly engaged, can actually result in unprecedented levels of true continuous improvement. Executives proclaim that "our people are our most important asset" but Platt was frustrated at how poorly his own company was able to actually use that asset.

We have talked with many executives about how to reach deep into their organizations to create a culture where employees are actively engaged in finding and solving problems. Astonishingly, many of these executives believe that they have already heard the vast majority of ideas that their employees have to give as if it is a well that has run dry. They reason that their electronic suggestion boxes and ever-tightening budgets have already gotten it all. A few have egos that will not allow the possibility that employees might even have solutions that they themselves have not already considered and either implemented or rejected for solid reasons. These fatalistic attitudes tell them that there is not enough to be gained by engaging employees and therefore, prevents an active search for solutions to inclusive and meaningful engagement of employees.

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One such solution to engaging employees in meaningfully improving a company is an Idea Harvest™, a process built on four almost universally ignored observations. Those who embrace and leverage these truths can create companies that move from good to great (or even mediocre to great):

1 | **Low-hanging fruit is plentiful.** In every company there are ideas that would make money, are easy and fast to do, and have little risk. Those ideas are within easy grasp. Ask a thousand employees across all of the functions in a company if there is low-hanging fruit and they will resoundingly say “yes”. Now ask the executive team of that company and they will say, “There might be some low-hanging fruit in other departments but not mine.” (More on this later.) The employees are right.

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2 | **Only employees closest to the work and closest to the customer can find all of the low-hanging fruit.** Some ideas are in the province of senior executives or outside consultants but the vast majority require employees deep in the organization who see close-up exactly how work is performed, how customers are frustrated, and how convoluted and complex simple sounding corporate policies have become when carried out in the field.

This is the heart of Lew Platt's message—employees have valuable knowledge and insight which is largely inaccessible to the company as a whole. While some employees may be like Einstein—the quiet genius working in the bowels of a patent office producing revolutionary ideas—that is not what we are talking about. We are talking about employees who have exactly the kind of knowledge, creativity, and passion necessary to see and pluck low-hanging fruit. The unused talent precisely matches the unsolved problems.

3 | Low-hanging fruit is worth more than virtually anything else a company can do. Companies that have used an Idea Harvest™ have shown that the value of harvesting the low-hanging fruit grows earnings by 25—50% within a year. Rarely will any transformational, strategic, "mega" project deliver close to that value and even more rarely will it do so without significant risk of hurting earnings and diverting precious resources from more fruitful projects. Many managers believe that big rewards require a few, big actions and maybe big risks. The beauty of low-hanging fruit is that the big reward requires many, smaller actions with little risk.
A global food company, a regional utility, and a national bank were each able in just 100 days to, respectively, find 1500 ideas worth $250 million, 500 ideas worth $100 million, and 2400 ideas worth $400 million. One CEO liked to tell Wall Street analysts that the average idea was worth only $160,000, an amount usually well below his pay grade. It was rare for him to spend time on ideas worth less than seven figures. But all of the ideas together moved the stock price considerably. Some ideas were worth millions, some only tens of thousands.

4 | Engaging large numbers of employees to create large numbers of ideas takes less time than focusing the usual "go to" team of high performers on a few big projects. This may seem counterintuitive. We know that most big projects take considerable time and resources: long meetings short on decisions; PowerPoint™ presentations written, revised, and revised again; analysis paralysis driven by fear; and drawn out decision making as leaders want everyone "on board" before acting. But low-hanging fruit is a totally different animal, to abruptly mix metaphors! By definition, these ideas are easy to do, have virtually no risk, and make money. Though the right conditions are needed to find these ideas, and in particular, to find enough of them, they can be developed and approved with far less time and effort then big projects. Looking for low-hanging fruit is consistent with the wisdom of Warren Buffett, when he said, "I don't look to jump over 7-foot bars: I look around for 1-foot bars that I can step over." Executives think about the effort required to improve their company in terms of how many projects and how many people on those projects they must manage. They assume the effort per project is high. But with low-hanging fruit, the effort per idea is so low that managing many people who are developing many good ideas is actually lower than expected.

Why Companies Have Failed at Engaging Employees to Continuously Improve

Having worked with the executive teams of many large and well-known companies, we have seen firsthand that when companies do not ignore the four observations, results are terrific.

If engaging lots of employees will grow earnings with much less time and risk than large projects, why don't most companies do it? As we wrote earlier, after years of cost cutting, most executive teams "know" that they have already pushed their teams hard to get all of their fruit—low-hanging or otherwise.

Even many of the best executives believe this. But as Mark Twain said, "It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so."

Realizing Lew Platt's vision of being three times as productive by tapping into your employees' knowledge requires improving six key conditions. Companies may already do them well, just not well enough. These conditions will likely not show up on a survey of what employees want but together they will create a culture of inclusivity and engagement. The conditions are:

- hiring or training for problem-solving skills
- creating external motivation

- forcing cross-unit collaboration
- making decisions quickly
- creating strong institutional implementation skills
- creating clear accountability with real consequences for failing.

When we ask most executives to grade their company on each condition, they generally give themselves around an 85% or a solid B. Some give a little higher or a little lower on any one condition. If the average is a B there is certainly some room for improvement, but not enough to put in the effort.

Here comes the "what they know for sure just ain't so" surprise: The "average" grade is utterly misleading. To understand the truth, you need to understand the deadly multiplier effect. If only 85% of employees are motivated, and only 85% of those have good problem-solving skills, and then only 85 of those who are motivated and have good problem-solving skills are also collaborating well, and so on. The total output of a system of six stages requires multiplying, not averaging the yield.

The overall yield where every stage is 85% is a dismal 37%. A result that is so bad that calling it an F seems way too generous. And Lew Platt was right—if a company could achieve 100% at every stage the yield would be about three times greater.

Leaders who succeed in getting closer to 100% are stunned by the yield of ideas and new earnings. In just 100 days, large companies can find thousands of ideas that will add tens or hundreds of millions quickly. These are easy to implement so most will be in place and generating an improved run rate in six to twelve months. Some readers are thinking that surely such companies must have been poorly managed to have left so much on the table. The truth is that companies in all conditions, even those considered at the top of their industries, have the opportunity to harvest a bumper crop of low-hanging fruit.

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The Six Critical Conditions

In the early 20th century, a tremendous innovation in management science was underway led by people like Henry Ford and the time study expert Frederick Taylor. They were visionaries who understood that machines with standard parts and processes could be vastly more productive than individual people using their unique creative craftsmanship. The revolution from artisanal craftsman to automated machines led to explosive growth. Of course, as the iconic image in Charlie Chaplin's *Modern Times* depicted, this management innovation required turning complex people into simple cogs in the corporate machine.

Today, with vastly larger and more complex companies, we still live with the remnants of this legacy. The management innovation critical to earnings growth in today's world is built on a far richer view of human behavior. Indeed, companies that have delivered on Lew Platt's wistful vision have found that they must change some normal, but destructive, corporate and human behaviors. This takes much less time that it would seem on its surface but it does take clear leadership focus and knowing how to change those behaviors.

To get closer to 100% in each of the six critical conditions requires a carefully designed idea process based on a deep and thorough understanding of human behavior. In our book, *Low-Hanging Fruit: 77 Eye-Opening Ways to Improve Productivity and Profits*, we describe specifically how to change or actually work with these behaviors.

Hiring Or Training for Problem-Solving Skills

> **It isn't that they can't see the solution. It's that they can't see the problem.**
> —G. K. Chesterton

We do not know of any studies comparing the problem-solving skills of today's employees to those of decades ago. We do know from deep experience, however, that today's companies are absolutely loaded to the gills with employees at every level of the company from the C-suite to the mailroom with the potential to be terrific problem solvers.

But to solve a problem, one must first see a situation as a problem to be solved. Unfortunately, a common, and destructive, human behavior is to become so accustomed to our environment that what should be seen as problems to solve simply become facts of life to accept. This is often referred to as the "boiling frog problem" to describe the poor frog that is in a pot of water that is slowly heated. The frog doesn't see a problem until the water is boiling and it is too late!

There are many easy ways to overcome this behavior so that employees can say, as T.S. Eliot said, "We shall not cease from exploration, and the end of all our exploring will be to arrive where we started and know the place for the first time." For example, in one frozen food company, the employees packed and unpacked product to conform to the company's strict safety rules. In the search for a new perspective, the warehouse asked for ideas from their third party distributors.

With just a short walk through the warehouse the distributor pointed out how they could eliminate some repacking while still shipping goods well within the safety guidelines. The company saved hundreds of thousands of labor time, the consumer received a safe product, and the distributor was able to reinforce the value they could bring to the company. Much low-hanging fruit is hidden because it is, in effect, on the other side of the tree and requires a new perspective to see it clearly. Another company organized all of the people they had hired in the past six months—from the C-suite to the factory floor—and had them systematically identify problems they saw based on their experiences in other companies.

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Creating External Motivation

I'm helping put a man on the Moon.
—Janitor at NASA, when asked by a reporter what his job was.

It is another common, and destructive, human behavior to spend time on the activities that seem urgent because they are "in your face" even though they are unimportant while leaving the important but easily deferrable activities unattended: "I should start working on my big presentation that isn't due for two weeks but instead I'll answer some unimportant emails that I just received." This is especially powerful when combined with the human trait of procrastination.

Many believe that employees waste 25% or more of their time in the corporate workplace—certainly the complaint of "long meetings short on decisions" is rampant. But this waste is also commonly accepted—without a fight—as something that can't be easily changed.

But just watch someone a few days before they are going on vacation. You will be looking at the most productive person in the office. The deadline of going on vacation dramatically improves productivity!

So rather than fighting this human behavior, many companies have found that they just need to make seeing and solving problems more urgent than less important activities. They institute very short deadlines—often just a few weeks—to develop ideas that will be presented to very powerful people. One effective method is to institute three monthly meetings for teams around the company to present their best ideas to the executive committee.

Another common, destructive, behavior that undermines motivation is to use words that subtly say, "this isn't important." For example, most corporate cultures use the word opportunity instead of the word problem—after all, opportunity sounds so much more polite and desirable. Everyone wants an opportunity but no one wants a problem. The problem with opportunity is that opportunities can be deferred and ignored, they are not so important that they must be addressed. A problem demands attention and begs for a solution.

Just imagine if Jim Lovell on Apollo 13 had said, "Houston, we have an opportunity!" To create urgency around important issues requires leadership teams asking for, and welcoming, employees who say, "boss, I found a problem that I am working on solving now."

Forcing Cross-Unit Collaboration

> **Companies are organized into 'divisions'—the word itself is ominous.**
> —Walter Isaacson

It is a common corporate behavior for a manager to focus on the needs of their department more than on the needs of the company. It is natural, but it is very destructive. There are many simple ways to overcome this behavior. For example, short, well structured, collaboration workshops work wonders. One company that had thirty factories spread throughout Europe brought many of their staff together to share the capabilities each had. One factory that had been buying pasta from a local vendor discovered that a sister factory with extremely low utilization could make the same pasta at an all-in production and delivery cost that was far below the vendor price. Another factory discovered that an engineer in a sister factory had figured out a way to significantly increase throughput in a machine they both operated. No one had deliberately ignored what others were doing; they just had not made the effort to find out. It was easy for the CEO and executive team to set in motion processes to improve cross-unit collaboration.

CEOs and their leadership teams can deliver tens or hundreds of millions quickly from low-hanging fruit by investing less than ten percent of their time. It just requires putting in place well-designed processes that change the known, but destructive, corporate and human behaviors.

Making Decisions Quickly

> **Bureaucracy, n.** a long, four-letter word meaning "knock head against wall" before being denied what you want.

Nothing kills a cultural of innovation faster than slow decision-making. Ask a typical manager to draw a flowchart of some recent decisions and they are likely to draw a Rube Goldberg like contraption entailing endless meetings, PowerPoints, unnecessary analyses, political wrangling, and plenty of waiting time. And that's in the case where a decision was made. The more nefarious, kissing cousin, of bureaucratic decision-making is the endless deferral which substitutes for giving the bad news that the decision is "No!"

You may be surprised to read that we believe that slow, bureaucratic decision-making is a rational reaction of managers to the decisions they are asked to make.

Many corporate decisions are about bad choices—live with today's problems or address them with a solution that has the risk of creating bigger problems! Most big, important decisions tend to come in the form of "big reward or might be big disaster, we can't be 100% certain but it should work out ok."

With that bad choice, it is completely fair and rational for decision-making processes to spend time and energy gnawing away at decisions until there is either more certainty of the outcome or more desperation that things are so bad now that any risk is acceptable.

So if slow decision making kills innovation what can a company do? The answer is simple and in practice extraordinarily powerful: focus on finding extremely easy decisions to make! That's how the companies described earlier were able to decide on 2400 ideas or 500 ideas in just 100 days. The key is to look for ideas that:

1. Make money
2. Are supported by all affected areas
3. Have little or no risk

By definition low-hanging fruit has these characteristics. So companies that find low-hanging fruit can decide quickly on those ideas. Employees are invigorated when their good ideas are quickly approved and, not surprisingly, their behavior begins to change as they see evidence that the corporate culture is changing.

Creating Strong Institutional Implementation Skills

> **I don't look to jump over 7-foot bars; I look around for 1-foot bars that I can step over.**
> —Warren Buffett

Academic studies confirm what we all know: the bigger the project the more likely that it will cost more, take longer, and yield less than was promised. This is not because executives deliberately mislead but rather because it is a common failing of most people to unintentionally overestimate value and underestimate resources. Then add the need to win support which might further lead to overpromising –through the normal discourse of advocating for an idea.

So what happens? The company approves a big project with great fanfare. Over time issues begin to arise. Perhaps complexity of the idea requires skills that the company just doesn't have on board. Regardless of the reasons, the institution cannot implement the idea on-time and on-budget.

There are ways to mitigate the natural tendency of managers to overpromise on big, complex projects but by far, the easiest and most effective way is to follow Warren Buffett's advice: focus on ideas that are inherently easy to implement. By looking for 1-foot bars to step over, the institution will implement better more consistently.

But don't companies need to make hard decisions and implement some very complex projects? Yes, they do. But the goal should be to change the mix from mostly hard and complex to mostly easy and simple. The hard and complex should be reserved for the few occasions when it is truly required—not the everyday goal of improving productivity and profits.

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Creating Clear Accountability with Real Consequences for Failing

Accountability is essential to achievement. Most people want to deliver on their promises and contribute to their organizations. But under the pressures of everyday work, there is a tendency to focus on achieving success when there is a clear consequence to succeeding or to failing. We said we'd get the billing report done by Tuesday, but nothing will happen if it is done on Wednesday. But if I don't get my expense report in by Tuesday I won't get reimbursed for a month. So which do I make absolutely sure is done by Tuesday?

Unfortunately, most companies that are committed intellectually to transparency and accountability are not, in fact, committed to ensuring the real consequences that success or failure must generate to truly achieve accountability. Too often "accountability" just means "we know who is supposed to do what." That's not accountability—that's just filling in the "Who" and "What" and "When" columns of a project plan! Real accountability means that job promotions, public recognition, bonuses, terminations, and other real consequences are consistently and publicly associated with success or failure.

Since accountability has some of the most profound effects on our behavior it is essential that leaders face the truth about whether they are really holding their teams accountable.

Start Today

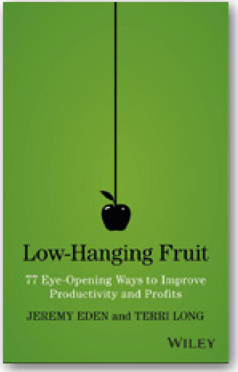
> **When you realize you want to spend the rest of your life with somebody, you want the rest of your life to start as soon as possible.**
> —Harry, declaring his love for Sally, in *When Harry Met Sally*

Anyone who runs a department, division, or entire company can harvest their low-hanging fruit. Our manifesto declares these truths:

- Ideas that make money quickly without risk, called Low-Hanging Fruit, exist.
- Harvesting low-hanging fruit is worth more in earnings than virtually any other action a company can take and with less risk than any other actions.
- Leaders must engage employees closest to the work to find all the low-hanging fruit.
- Leaders must institute carefully engineered processes that reflect a deep understanding of the common corporate and human behaviors that prevent companies from harvesting their low-hanging fruit.

So, what are you waiting for? **Get out there and start harvesting your low-hanging fruit today... right now!**

Info



BUY THE BOOK | Get more details or buy a copy of Low-Hanging Fruit.

ABOUT THE AUTHORS | Jeremy Eden and Terri Long have worked with the CEOs of a wide range of companies to guide their teams through a galvanizing earnings growth process. They have worked with companies such as PNC Financial, H.J. Heinz, Manpower, The Schwan Food Company, Energy East, Webster Financial, and Standard Register, among many others. As a McKinsey & Co. consultant, **Jeremy** served clients such as Goldman Sachs, Hilton, and Travelers Insurance. Jeremy then left to develop what is now the Harvest Earnings innovative Idea Harvest process. **Terri** was in the corporate banking world for nearly two decades in a number of customer-facing senior roles, including at U.S. Bancorp. They are now the Co-CEOs of Harvest Earnings Group headquartered in Chicago.

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