



FUTURE OF WORK AGENDA

A Free Monthly Newsletter
February 2008
www.thefutureofwork.net/

THIS MONTH'S HEADLINES

Click on any Headline to go to the full story.

1. **[FROM JIM AND CHARLIE](#)**

This is our personal note welcoming you to the February 2008 issue of *Future of Work Agenda* and setting our theme for the month. This month our feature article is all about leadership and driving organizational change. And our "rant" focuses on the difficulties of measuring value in an economy driven by intangibles and "unmeasurables."

2. **[NEWS AND ANNOUNCEMENTS FROM THE WORLD OF WORK](#)**

We have a very full schedule of public appearances and webinars over the next several months. Most of them are free and open to the public. Please review our calendar of upcoming events and register for the ones you can attend.

3. **[FEATURE ARTICLE: WHAT DRIVES ORGANIZATIONAL CHANGE?](#)**

Over the past several months we've had the privilege of watching several very effective change leaders in action. We've watched corporate executives, elected officials, middle managers, and just plain folks, all of whom launched and led meaningful organizational change. Their backgrounds, their values, and even their leadership styles varied all of the map. Our observations got us to thinking about what made them successful, and what – if anything – they had in common.

4. **[BEST OF THE BLOG](#)**

This section provides you with brief summaries of several recent notes we've already posted on the *Future of Work* weblog. In each case we also include a live link to the original post on the blog. And we encourage you to become a regular reader of the blog, where we are posting notes, case studies, and links to other important websites on a regular basis.

5. **[IN OUR HUMBLE OPINION: THERE'S JUST NO ACCOUNTING FOR IT](#)**

We end each issue of *Future of Work Agenda* with a personal perspective – our chance to comment on issues and developments in the world of work that we find important and interesting. This is our "editorial" page, where we enjoy offering our opinions and predictions about what's happening (or should be happening) in the world of work and beyond.

THE FULL STORIES

1) **FROM JIM AND CHARLIE**

Super! Super Duper!

This is a month of big events (actually, it's all this first week of February). The Super Bowl is just over as we send this newsletter out around the world. While we fully realize that many of our readers don't give a hoot about two groups of grown men playing a rough-tough game of

football in February, it's hard not to notice. The hoopla, the corporate parties, the infamous commercials (at obscene rates per minute), and even the game itself have become an American institution – for good or for bad.

And on Tuesday, February 5, the United States will have a far more important event – Super Duper Tuesday – the closest thing we've ever had to a national Presidential Primary. If you live in one of the 22 states holding elections on Tuesday and you haven't already cast your ballot, please be sure to do so. We're not endorsing anyone publicly (though we have our clear preference), but if you don't vote you aren't being a responsible citizen – and you won't be able to complain about the outcome (which is, of course, another important American pastime).

Now, as far as this newsletter goes, we've recently been doing a lot of thinking about leadership and organizational change. As you all know, our personal passion is the rebirth of local communities and the reinvention of work. We're deeply committed to the design of local Business Community Centers™ that will enable people to work more “naturally” and closer to home than most of them do today.

However, in our experience the biggest challenge to moving to new patterns of work is organizational inertia. Sure, there are economic and technology barriers too, but by far the biggest challenge our clients face is overcoming good old-fashioned organizational resistance to change. We know that's not news, but it's nevertheless a **big** challenge to cope with.

Thus, our feature article this month is called “[Driving Organizational Change](#).” We've drawn on our recent work in West Michigan to postulate five leadership principles that we hope you'll find instructive. Please let us know what you think.

And our “rant” this month, “[There's No Accounting for It](#),” discusses the challenge of measuring value in an economy driven by intangibles. There are so many things we “know” but can't prove, because we don't have a good way to measure them in a consistent, reliable, widely-accepted way. For example, what's the value to a community of building an overpass over the railroad tracks? How do you track (no pun intended) the gasoline saved (and the greenhouse gasses not produced) because hundreds of cars aren't idling while the drivers wait for a freight train to pass through? What's the value of time saved by the drivers themselves? Or the car/train collisions avoided?

That's just one relatively trivial example of the issue we're concerned about. More to the point is the impact of shifting our work patterns from daily commuting to only occasional trips to center cities because we're working from home or a local Business Community Center™. Or, what's the value of the talent on your payroll? Is it worth embarking on a major flexwork program to keep that talent from fleeing to a competitor that already offers its employees the ability to work from home? How do you measure and report on your company's intrinsic value when you don't own any hard assets?

If we had answers to those questions we wouldn't have written the rant. And if you've got some ideas or suggestions, once again, please share them with us.

And as always, of course, we're also pleased to bring you the [Best of the Blog](#) section summarizing our most recent posts on the [Future of Work blog](#). We continue to believe that you'll find ideas and information here and on the blog that you just can't get anywhere else.

Finally, don't forget to check out our monthly [Announcements](#). We've got a very full schedule of public appearances and webinars over the next couple of months. Hope to see you at one of them!

As usual, your comments and reactions are more than welcome. And as always, please send your thoughts to us at comments@thefutureofwork.net.

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2) ANNOUNCEMENTS

Jim and Charlie to present “Corporate Agility” at IFMA Orange County on February 6

Future of Work member **Diane Coles**, Director of Facilities at SCAN Health Plan in Long Beach and President of the IFMA Orange County Chapter, has invited us to speak about the research that produced our book *Corporate Agility*. We'll be in Costa Mesa, California, on the evening of February 6. The session is already sold out.

Jim Ware to Participate in a Free Public Webinar on February 8

Join Jim next Friday, February 8, from 1:00-2:00pm ET for a roundtable-style public conference call in which he, **Steve King**, Research Fellow at the Institute for the Future, Yankee Analyst **Josh Holbrook** will discuss the future of work and the impact it will have on businesses large and small.

The call, the first in a series, accompanies the launch of The AppGap, a blog focused on how work, workplace, and the workforce are evolving as new tools, technologies, and practices are reshaping the way companies and individuals operate, innovate, and collaborate.

Among the questions that will be addressed in what should be a fun and spirited discussion:

- How will the role of IT change as new work tools become more accessible and computer-savvy college graduates come into the workforce?
- Are we really looking at the end of the hierarchical organization?
- What developments will drive the biggest changes on how teams work?
- Have the traditional barriers to adoption of work tools – people, culture, and politics - disappeared?

To find out more [click here](#). To register for the free conference call, follow the links on that page or visit [this page](#) directly.

Organizing Meeting for the new Community Design Institute to be held March 4-6.

We've invited a number of organizations and community officials to join us in Prescott, Arizona, March 4 (evening reception) through March 6 for an organizing/chartering meeting of our new “community of communities” network.

[As we reported in December, 2007](#), we're launching this new network group at the specific request of a number of clients and close friends who, like us, are interested in fostering the rebirth of local communities by developing new ways for their residents to work closer to home. The meeting is a no-commitment/no fee organizing meeting, hosted by Jack Wilson, the newly-elected Mayor of Prescott. To be clear, however, our goal is to form a fee-based network of communities and corporate sponsors who will work together to develop new concepts and new data about what makes a community attractive to knowledge workers – and how to implement that knowledge into local and national action.

If you are interested in attending, or just want to know more about the Community Design Institute, please contact Charlie Grantham at Charlie@thefutureofwork.net.

Books 24x7 is Sponsoring a Webinar on Corporate Agility on February 27.

This presentation/conversation is free and open to the public. For more details, and to register, go to: http://www.regform.com/skillsoft/event_details.php?webinar=24313. Books 24x7 is a division of Skillsoft.

Other Upcoming Public Appearances

March 19 – a webinar on web commuting sponsored by Citrix Online

April 17 – at [Conference Board's annual Human Metrics Conference](#) in New York City

April 28 – at the Skillsoft/Books24x7 client conference in Orlando, Florida

May 4 – at the CoreNet Global Summit (with Debra Moritz of Jones Lang LaSalle in San Diego, California

June 10 – at NeoCon 2008 (with Jill Duncan of Herman Miller) in Chicago, Illinois

June 12 – at the CoreNet Chicago Chapter in Chicago, Illinois

We'll have more details about these and other events in the near future.

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4) FEATURE ARTICLE: WHAT DRIVES ORGANIZATIONAL CHANGE?

By Jim Ware and Charlie Grantham

Over the past several months we've had the privilege of watching several very effective change leaders in action. We've watched corporate executives, elected officials, middle managers, and just plain folks, all of whom launched and led meaningful organizational change. Their backgrounds, their values, and even their leadership styles varied all of the map. Our

observations got us to thinking about what made them successful, and what – if anything – they had in common.

It's been said that leadership is one of the most-studied and least understood topics in the entire world of business. We don't pretend to have figured out the "secret sauce" that's fascinated students of leadership like John Kotter, Noel Tichy, Margaret Wheatley, Jim Kouzes, Peter Drucker, Warren Bennis, Doris Kearns Goodwin, and David McCullough. And it's not a subject that anyone ever completely masters. But we do have some ideas of our own that we hope you'll find useful.

Let's start by looking at one of the most dynamic, visionary Mayors we've ever run into. His name is Ron Armstrong, and he's been the mayor of Newaygo, Michigan for about eight years.

So where the hell is Newaygo, Michigan, you ask? It's a small, mostly rural community about 30 miles north of Grand Rapids in West Michigan. We've spent a lot of time in Newaygo over the past 18 months as part of our work on the WIRED West Michigan project (see the [WIRED West Michigan website](#) for background on the project).

Ron Armstrong was an independent entrepreneur/small business owner with no background in politics or government when was recruited to run for Mayor about eight years ago. At that time when Newaygo was in the midst of a near-death experience (remember that – it's one of the keys to successful organizational transformation). A former town manager had bled the tax coffers dry through a combination of incompetence and corruption. For all intents and purposes Newaygo was broke.

Not only that, but many of the nearby businesses that had provided local jobs were sinking into the sunset in the wake of the near-death of the automobile industry and other the departure of many other manufacturing firms in search of lower-cost overseas production. It was not a good time.

Armstrong had just finished leading the voters of Newaygo to approve a significant tax increase to support the local school district; he was clearly committed to Newaygo's future, and – more importantly – was capable and credible. He won because his would-be opponents dropped out and he ran unopposed.

The past eight years have been characterized by a long, slow climb back to fiscal health. But more importantly, they have also been a time of reflection and renewal for Newaygo as it's local business leaders and citizens have struggled to develop an identity as a solid, dynamic area that offers good schools, good recreational opportunities, a low cost of living, and an exciting future.

Armstrong and his fellow public officials and local business leaders worked together to create an entirely new climate for development. The downtown shopping district has been completely revitalized; a principal shopping district board has been formed to control all future development of the area. The City has also been able to attract millions of dollars in federal and state grants, which have in turn spurred millions more in private investments. And the city now has a new 20-year master plan.

We just met Ron Armstrong and Newaygo about a year ago. Last month we sat through a public town meeting focused on a surprisingly (at least to us) rich portfolio of public works projects

(including, we might add humbly, a proposal for a Business Community Center based on our work – but that’s a whole different story).

Over the next five years Newaygo will be drawing on federal and state funds to build a comprehensive sports complex at the local high school, investing in new roads and parks, and supporting many small entrepreneurial businesses whose success will help rebuild the tax base. In addition the town is actively working with local developers interested in building a major conference center and resort along the Muskegon River (Newaygo boasts that it offers some of the finest fishing in the entire Midwest).

It’s hard to convey here the way that town meeting unfolded, and the sheer energy that filled the room. Ron Armstrong, his City Manager Rich Blachford, Adam Wright, President of the Chamber of Commerce, Libby Cherin, CEO of the local Fremont Foundation, and Andy Lofgren, Director of the County Economic Development agency, all spoke about the vision, the plans, and their commitment to helping it all come together.

It was clear to us that an incredible amount of preparation had gone into that meeting, and the plans that were being described that morning. We were struck by how many different agencies, funding sources, and ideas had all been blended together by Ron and his core team. The sense that Newaygo is hurtling full speed ahead into an information-base economy was almost overwhelming. We’re almost ready to rush out and buy some property!

That’s a brief and very incomplete description of one small town’s history and future. Now let’s step back, observe what happened (and is happening) in Newaygo, and see what lessons we can draw for other communities and organizations seeking to grab hold of the future and make it their own.

We see at least five specific principles in action here:

1. Change is much more likely to be successful when it follows a near-death experience.

Others have called it “the burning platform” (calling up images of an off-shore oil rig catching fire and forcing everyone to jump overboard). Now, we wouldn’t wish “near-death” on anyone. But it’s remarkable to us how often successful transformations have risen, Phoenix-like, from near-disasters.

About fourteen years ago IBM, historically one of the most successful corporations of all time, was within a few weeks of missing a payroll. Thousands of IBM’ers were laid off, and many more were forced to take on radically different roles as the company struggled to stay alive. Today, of course, IBM is back with a vengeance, and has become known as one of the most innovative of all the high-technology companies.

The lesson here is not to drive your organization to – or over – a cliff. Rather, it’s important to recognize that unless there is a clear and widely recognized crisis you will be hard-pressed to achieve large-scale change. There’s just too much inertia in most organizations, too much satisfaction with the status quo. Unless the pain of changing is less than the pain of staying put, it just won’t happen.

Bottom line: if you see a need for change that others don't, spend time building the case for change before you take the leap.

2. Effective leaders paint a picture of the future – and then make it happen

We're reminded of George Bernard Shaw's often-quoted statement:

Some people see things as they are and say, Why? I dream things that never were and say, Why not?

Change leaders have an uncanny ability to “see over the horizon.” Or, rather, to imagine what the world looks like over that horizon. Think of the pilgrims who set sail from England for the New World in the 1600's, or the adventurers who left their families behinds to conquer the Western United States in covered wagons – having no idea what was ahead of them, but holding a deep faith that there was a better world beyond the horizon.

Or consider the history of Silicon Valley. Entrepreneurs like Bill Hewlett, David Packard, Steve Jobs, Larry Ellison, Gordon Moore, and even Bill Gates didn't spend a lot of money on market research. Their product ideas germinated in their own heads. They built prototypes and then sold people on buying them – people who didn't know they needed a personal computer, or an iPod, or an iPhone, or a web-based database application, or . . .

In every case of technological innovation we can think of, someone developed a product for a market that didn't exist at the time. It takes a whole lot of imagination, guts, chutzpa, and faith to create something that doesn't exist – and to turn that idea into a new market and even an industry of its own.

Peter Drucker perhaps said it best: “The best way to predict the future is to invent it.” Change has a funny way of being a self-fulfilling prophecy. If you create it, they will come.

3. Leading change *requires* being reality-based

Recently we've heard a number of risk-averse developers complain that some of the ideas we're talking about just won't work. Our sense is that they are stuck with models of how things work that don't reflect current demographics, current economics, or current social values. We're fond of rebutting their arguments with that old cliché “Those who say it can't be done are often run over by someone doing it.”

The New York Times Magazine recently carried an intriguing commentary on “[Old School Economics](#)” by Christopher Caldwell (Sunday, January 27, 2008 – thank to Penny Ladd for alerting us to it). Caldwell was actually addressing his comments to the current crop of Presidential candidates, most of whom seem to be arguing about economic conditions that ceased to exist decades ago. Some of them are continuing to offer “solutions” to problems that simply no longer exist. In Caldwell's words:

Republican rhetoric about trusting the transition to a new economy is not allaying fears as it once did.

The reason is simple. It is that the transition is over. The new economy we have been promised is [already] in place. While the economy of 1998 was a world away from the Internet-less, land-line-dependent, non-Nafta, I.B.M.-Selectric-powered, partly-Communist world of 1988, today's economy is fully recognizable as the one we inhabited in 1998.

Today's economic anxiety is not the same anxiety that simmered between 1980 and 2000. Back then, recessions and slowdowns were understood as the pangs of a new economy struggling to

be born. But the recession we now seem to be entering is to the information age what the recession of, say, 1957-1958 was to the industrial age — a “normal” recession in the midst of an economy with stable bases, an economy that (to use a current cliché) “is what it is.” The “jobs of the future” that were promised 20 years ago are here. Choreographers, blackjack dealers and security guards have replaced factory workers as the economy’s backbone, if not yet its symbol.

A few years ago the CEO of a once-proud and successful corporation that had just been acquired after several years of operating in the red commented something like this: “I’ve learned a lot in my 30 years in business. Unfortunately, most of it just isn’t true anymore.”

We believe in data-based interventions. That is, it is incredibly important to base your assessments of problems, current conditions, and even future possibilities on real, hard data, not on wishes, anecdotes, or outdated assumptions. For instance, relying on the demographics of the past (e.g., generational values and profiles) as a guide to the future is not only misleading, it’s dangerous. Not only are the about-to-be-“retired” Baby Boomers not your father’s retirees, but they aren’t going to “retire” gracefully. And the Gen-Y’ers that everyone seems to fear just may be the most self-directed, creative, worldly, tolerant, and thoughtful generation the world has ever seen.

We don’t think this principle conflicts in any way with number two, which emphasized dreaming of “things that never were.” There’s a very significant difference between dreams of what could be and fantasies about what *is* right now.

4. Change leaders are passionate about their dreams – and they show it

For us, the most striking aspect of listening to Ron Armstrong is the amount of energy and conviction he brings to the table. The future of Newaygo means one whole heck of a lot to him, and his behaviors show it all the time. In front of an audience he waves his arms, speaks quickly, and almost shouts about “how great it’s going to be.” You can’t listen to him without getting excited yourself.

In our view a good leader doesn’t make you **do** what he (or she) wants; he makes you **want** what he wants. Or, as others would put it, “It’s about charisma, stupid.”

5. It takes a team to make change happen

Early in Ron Armstrong’s tenure as Mayor of Newaygo he brought in Rich Blachford as City Manager. Like Ron, Rich had no real experience in municipal government, but he was an experienced entrepreneur with incredible sales and people skills (like Ron, Rich still owns a couple of his own businesses). Rich is one of those “git ‘er done” guys – he helps turn Ron’s visions into hard, cold reality.

One of the best ways to tell if a leader is on the right path is to look at who is on his or her team. One person can’t do it all. And there’s real truth in the old adage, “‘A’ people hire ‘A’ people; ‘B’ people hire ‘C’ people.” Good leaders (who “do things right”) need good managers (who “do the right things”) to carry out their strategies and make their dreams come true.

Effective leaders aren’t threatened at all by other competent people. In fact, they thrive on being both challenged and complemented by great staff. Jim Collins, co-author of *Built to*

Last, and lead author of *Good to Great*, believes that great leaders hire their core team even before they define their strategy and mission. In his view, effective leaders get their team on the bus, and then the whole team figures out where the bus is going to go.

Leading change is far from a simple task, and there's much more to doing it well than what we've mentioned here. But it's also incredibly important. That "new economy" that Christopher Caldwell described is far less predictable – and far more dynamic – than anything any of us have ever experienced before.

At the same time, we're convinced that change leadership is going to be the "magic feather" that will make the difference between success and failure for the foreseeable future. We anticipate seeing more and more instances of new products being created for markets that don't exist. And public officials are increasingly going to have to imagine futures for their communities that are dramatically different from their current realities – and then the fun begins: sharing that vision, building widespread consensus that it's a compelling one; and – finally – pulling together all the critical stakeholders and funding sources to make it happen.

If you're looking for a role model, you really ought to get to know Ron Armstrong and the City of Newyogo.

Send us your comments to comments@thefutureofwork.net. We look forward to learning from you!

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5) BEST OF THE BLOG

Here's a small sampling of excerpts/lead-ins from our recent weblog posts. Please get in the habit of reading the [Future of Work weblog](#) regularly – bookmark it, or if you have an RSS news reader, subscribe to it. And please contribute as well. We're more than happy to reprint your stories, or to consider featuring you as a Guest Writer.

We believe we're creating a unique knowledge base of what's going on out there today, and what's going to be going on tomorrow. If you want to learn about the future of work, [our blog](#) is the place to go (along with this very newsletter, of course). Just click on each headline below to visit the full original blog post.

[Corporate Agility in the News](#) (January 4)

I just love [Google News](#). It's a good summary of what's happening around the world, but more importantly the alerts I've set up help me track stories and topics I'm interested in. And since it's a rainy, windy Friday here in Northern California I've been cranking myself up this morning by following several threads in both the blogosphere and the mainstream media. . . .

Anyway, I was really pleased this morning to open a Google Alert and find link to a new (and very complimentary) review of our recent book [Corporate Agility](#)

[Yet Another Conversation and Story About Why Telecommuting is Good for You](#) (January 9)

My good friend and colleague **Jim Redmond** of Concisis just forwarded me a note about a brief story about telecommuting that appeared in CFO Magazine last November ("[See you at the office](#)"). The article's subtitle says it all:

Telecommuting isn't the revolutionary workplace change many assumed it would be, but it still could grow now that best practices have emerged. . . .

The Future of Economic Development (January 22)

I've written here previously that **Charlie Grantham** and I are convinced it's time for a wholesale rethinking of economic development strategies. The old model (not dead, but no longer sufficient) for growing a community's economic base was to recruit companies to build offices or factories in or near town in the belief that those new businesses would create jobs and hire local folks.

That certainly makes sense, but . . . the Information Age has generated a wholly new and very different model - attracting and retaining talent. . . . Anyway, without belaboring that concept here, Charlie was interviewed about these ideas recently by his home-town newspaper, *The Prescott News*. . . .

Working From Home: The Secret to Winning the War on Terror? (January 30)

. . . to say nothing of helping reduce greenhouse gasses and slowing global climate change.

Actually, I'm convinced we're getting closer and closer to the day when working at home at least part-time will be just "the way we are." We may even find ourselves feeling sorry for people who "have" to commute to an office in a center city

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6) IN OUR HUMBLE OPINION: THERE'S NO ACCOUNTING FOR IT

Commentary by Charlie Grantham and Jim Ware

Okay what got us going on this one? The boyz is off on the primary trail again and we're left to our own devices. Hope we meet your expectations.

Actually, we've got a slight change of pace this month. We've been beating up on you poor readers with tales of gloom and doom for a couple of months now. It's time for some "What do we do?" advice. There's a lot that could use some changin' out there, but we're going to focus down on a critical behavior feedback system that, In Our Humble Opinion, is really outta whack (got that in early this time). That's academic talk for somethin' ain't workin' right.

As happens all too often, we sort of rolled up to mid-month without a clue as to what Our Humble Opinion would be this time. Seems like we've spent too much time trying to travel lately So, there we were, sitting on an airplane at 34,000 feet moving at 350 mph and asking, "How much does this cost?" The price of that \$200 ticket?

Not really, it's much more. And by the way, just who is paying us for our time sitting here when we could be elsewhere doing something much more constructive, like helping little ol' ladies across the freeway?

May we suggest that something is really, really wrong with this picture. Yeah, we keep ranting about how it's better (faster, cheaper, greener) to be moving butts than bits, but now it's getting personal.

And why, while we're at it, are tomatoes \$3.00/lb. when the farmer gets maybe \$0.60/lb (what, you didn't know that's what we're at?? Truth in pricing, hardly. Maybe a label with **all** the costs listed would change our habits, or at least make most of us more conscious of what we're doing. (We really do think about questions like this—and often at the strangest times). Seems there is just no accounting for it.

And we think it's actually a whole lot deeper than that..

What's the problem? Well, just think with us fer a minnit er two.

We (all of us, together) have moved into an economy where (outside of manufactured goods) our accounting systems don't begin to capture the true **total** cost of doing things and delivering services. We've come up with all kinds of convoluted ways to fool ourselves into thinking we really know what's going on. And, In Our Humble Opinion, we are planning and managing our economy (and our lives) without having a clue about what the hell is going on.

In short, as a society we're flying blind into a global storm brought on by the Conceptual Age (as our buddy Dan Pink calls it; see http://en.wikipedia.org/wiki/Conceptual_economy and <http://www.danpink.com/>).

This new world we're already living in is as complex as a bowl of spaghetti with each noodle twisted around several others, and we've only got a little space here to make sense out of it (the editorial police, you know).

So we're going to focus down on two cogent unmeasurables: the environment and human capital. Maybe we can come back to other issues like the myth of the free market later (talk about a fairy tale. Okay, okay . . .).

Environmental issues: Environmental Cost Accounting

From a not so humble web site (<http://www.golder.com>):

*"In the post-dot.com, post-Enron world, terms like disclosure, transparency, and materiality go hand-in-hand with auditing and accounting. Corporate governance reform efforts are focused around translating the concept of corporate responsibility into practice. This means enlarging the scope of conventional financial reporting to include non-financial information such as that relating to environmental and social issues. Traditionally trained accountants and financial analysts generally have a **poor understanding** of such issues, especially when they relate to intangible assets."* (emphasis ours).

Need we say more?

The simple fact is that we don't know how to account for pollution, toxic waste, clean-up costs, long-term environmental deterioration and a gazillion others things. Entire books are being written on the topic (such as *Environmental Cost Accounting: An Introduction and Practical Guide* by Rupert Howes).

There is also the whole idea of the "Triple Bottom Line" that focuses attention on economic, social, and environmental impacts (see http://en.wikipedia.org/wiki/Triple_bottom_line). Unfortunately, like so many similar well-intended efforts, this one has made much more progress in Europe than it has here in the good ol' US of ever-loving A. As a British architect commented at a recent meeting on "green" buildings, "In the United States you have LEEDS; in the UK we have laws."

Our point here is that In Our Humble Opinion (we're doing a lot of "opining" this month – that's a fancy-schmancy legal term that Jim learned recently), we have to do much more work in this area of accountancy, starting by bringing *all* of the facts into the pricing equation. If we included the complete environmental cost of the goods and services we consume, do you think people would change their buying behavior?

Well, duh, what if a Hummer cost twice, no three times, what it does today? What if you, or at least your employer, had to pay the true full cost of your air travel across the country or overseas? What if that beef you bought included *all* the economic *and environmental* costs of the land the cattle were raised on, the feed they consumed, and fuel it took to get that beef into your neighborhood supermarket? Is it just possible that our purchasing, consuming, and traveling habits might change a bit?

It's trite but true: if we can't measure it, we can't manage it.

Valuation of Intellectual/Human Capital

Warning: we're gettin' a bit heavy and serious in what follows.

Economists use an equation called "Tobin's Q" to assess the difference between a company's market valuation and it's hard asset value (see http://en.wikipedia.org/wiki/Tobin's_q). It's one way to begin to understand why a software company like Microsoft or – even better – Google can have such a high market value when it hardly owns anything in the way of tangible things. Those are just two very obvious examples of companies whose "assets" are the minds of their employees and the processes they have developed for turning ideas into products and services.

Okay, Tobin's Q isn't a bad start *but* (and this is a big "but"), the accounting profession, through the Financial Accounting Standards Board (FASB) is struggling with this issue right now. How do you reliably measure the value of a firm's intellectual capital and innovative capability, and reflect those intangibles on the balance sheet? In short, currently there's just "no accounting for it."

Scandia Corporation in Sweden has come the closest by doing a detailed annual accounting of all of its intellectual capital. What we need are reliable metrics that can be used to benchmark performance and perform comparative valuations of companies in similar financial or industrial sectors of the economy. Some organizations are beginning to measure levels of employee

education, and the amount of intellectual property such as patents, as indicators of their corporate “health”; but we are not there yet by any means.

Just think how different the world would be if we treated people (human “assets”) the way we treat machines.

What? Treat people like machines? Well, consider this perspective. When a company makes a capital investment in a piece of equipment or builds a factory (like a printing press, an oil refinery, an office building, or an automobile assembly line), it also commits to spend money maintaining the equipment over time, and takes “depreciation” on the balance sheet to recognize the ongoing costs of keeping that equipment up to date and efficient. What if we treated human “maintenance” like training and development as a capital expense? Or what if we viewed economic downturns as opportunities to “refresh and renovate” our human capital, instead of just laying people off?

Full disclosure here. We are **very** interested personally and professionally in this topic and have actually conducted some formal research on it. In fact, we will be presenting some of our ideas at the [Conference Board’s annual Human Metrics Conference in April](#) that will be hosted by our good friend and favorite human capital metrics guru, Dr. Jac Fritz-Enz (see <http://www.humancapitalsource.com/>).

Look, these hidden, unrecognized human capital and environmental costs (and values) clearly distort both investment and operating decisions. Would you want to invest in a company with high long-term environmental costs and low (or sinking) intellectual capital assets? We don’t think so, but how would you know what to do by looking at currently available data? It would be very, very hard. And now, once again, the refrain: “There’s no accounting for it.”

Some Background

Accountancy is a rather recent human invention (as are corporations, by the way). It probably started in the 12th century AD, but came to the fore in 1458, authored by a Croatian merchant. Seems there was a whole lot going on around then. It was about the same time that a guy named Gutenberg invented the printing press, but, well, that’s another story. What we have here is another Agricultural/Industrial-Age legacy system that really hasn’t changed much since those very early times. Why do you think corporate types deridingly call those accounting folks “bean counters”?

Don’t you think we need a new system of accounting for a time – and an economy – where a lot of value is measured by the individual in terms of “experience” and we make “sustainability” the mantra for everything from cars to communities? We do. And then maybe we’d know what the true price of that plane ticket was and the true value of spending 12 hours to move our butts 1700 miles just to sit down face-to-face with someone else. Admittedly, it’s harder than counting beans, but infinitely more important.

Moving Towards the Future

We think there is a Very Big shift in thinking coming just around the corner. Get a grip; just watch the wild gyrations of the equity markets right now: the panic of central bankers (if it didn't affect every one of us in the pocketbook it might actually be fun to watch bankers in panic, but then again . . .); the volatility of the housing market in the United States; and the way the US uncertainty ripples throughout the global financial markets. It's about emotion, not logic, and emotion cannot be accounted for. Again, it might be humorous if it weren't so darned serious.

Hold the presses! Lordy, lordy, looky here. Just as we are putting this to bed we've gotten a news flash. Even the Commerce Department is onto us.

Just released on January 18, 2008: "Innovation Measurement: Tracking the State of Innovation in the American Economy". We'll let you read the whole thing yourself, but the bottom line is that they admit (all together, now) that there "is no accounting for it." The report is rather general in nature, with no magic bullets, but at least someone is waking up. See:

<http://www.innovationmetrics.gov/Innovation%20Measurement%2001-08.pdf>

We believe that people are going to start figuring out how to invest in these kinds of intangibles. The people who do it first will reap tremendous gains and be called geniuses. But we think they'll probably just stumble into the right answers.

A good place to start (if you're interested) is groups promoting "socially responsible" investments. Try the social investment forum (<http://www.socialinvest.org>) and <http://www.socialfunds.com> for a personal investment perspective.

Please direct your comments to comments@thefutureofwork.net. We'd love to publish your reactions and suggestions. And thanks for listening.

RETURN TO HEADLINES

This issue of *Future of Work Agenda* was produced by Jim Ware and Charlie Grantham of the Work Design Collaborative, LLC.

We encourage your comments, suggestions, and submission of materials for possible future publication.

Please contact us at:

Charlie Grantham, charlie@thefutureofwork.net, +1 928 771 9138

Jim Ware, jim@thefutureofwork.net, +1 510 558 1434

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