Appreciative Organizational Coaching And The Release Of Human Capital

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Appreciative Organizational Coaching and the Release of Human Capital

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In this article, the author moves to “the heart of the matter” regarding the release of human capital. Bergquist proposes a fundamental tenet regarding the appreciation of human capital in an organization and ways in which this appreciation leads to the powerful, energizing release of this human capital for the achievement of organizational success. To better understand the nature of this tenet, the author turns to the field of economics and, more specifically, to the work of an eminent and highly influential international economist, Hernando De Soto. He then describes ways in which human capital can be channeled and transformed through the acts of appreciation in three different domains of organizational life (information, intentions and ideas) and through a balancing of reflection and action.

There is an old joke I first heard as a young man. It seems that an employee of a tightly-managed factory was stopped one day by a security guard as the employee was leaving the factory. The worker was pushing a wheelbarrow full of straw. The security guard was absolutely certain that the worker was trying to smuggle something out in the straw, so he stopped the worker and carefully inspected the straw. There was nothing in the straw. He had to reluctantly allow the worker to leave the factory. Next day, the same story was played out. The worker came to the security gate with a wheelbarrow full of straw. A careful inspection ensued. Nothing was found.

This scenario was repeated many times over the following years. Careful searches, but nothing there. The security guard stopped the worker one day to tell him that he was about to retire. He put his arm around the worker and asked in a plaintive voice, “Comrade, I know that you have been stealing from this factory, but I have never been able to discover what you are stealing. I will be leaving tonight and promise to tell no one about your remarkable secret. Please, tell me what you are stealing.” The worker looked around and whispered in the security guard’s ear: “Wheelbarrows!”

The humor in this story lies in the overlooking of the obvious. We search in vain for the stolen item only to discover that it is the wheelbarrow itself that is being stolen. In a similar way we are reminded: “It’s the economy, stupid!” We suddenly stop in the middle of the day and remind ourselves that our organizations are populated with people: “It’s the people, stupid!” Employees aren’t going to work hard unless they are motivated. We can’t accomplish anything without a skilled and knowledgeable workforce. We are more likely to be effective in leading this type of workforce if we receive appreciative organizational coaching assistance. Organizations are living systems, not just machines, and we can all use some assistance in leading these complex, unpredictable and turbulent living systems. These simple truths are often overlooked.

Considering all the changes occurring in contemporary societies throughout the world, it is often easy to overlook these wheelbarrows—and, in particular, the indispensable role that people play in organizations and that organizational coaches can play in helping those who lead these
organizations. The ‘people’ factor in organizations is particularly challenging, for several profound changes are occurring that are not easily understood or addressed. It is not so much the content of the work people do in organizations that has changed; rather, it is the structures and processes of the work that have changed in a profound and irreversible manner. It is the way in which we relate to one another in an organizational setting that is being transformed. We can handle the new technology and the new products and services being asked of our customers. What we can’t handle very well are the new organizational forms that are being created in order to contain these new technologies, products and services—this is where a skillful organizational coach enters the picture.

THE HUMAN FACTOR AND HUMAN CAPITAL
In addressing the issue of human capital in organizations, I shall turn to the work of Hernando De Soto (2000), an economist who offers an insightful analysis of the reasons why some countries in the world have capitalist economies that thrive, while other countries have been unsuccessful in their enactment of capitalism. As a Peruvian who has consulted with the leaders of many third world and former communist countries, De Soto is fully aware of the problems encountered by these leaders in seeking to embrace Western capitalism. He believes, however, that the problem resides not in the absence of capital in these countries, but rather in the formal and legal processes whereby the vast capital that already exists in these countries is recognized.

In making his case for new strategies to bring these countries to economic prosperity, De Soto (2000, p. 45) offers the analogy of a lake that holds unrealized potential:

Consider a mountain lake. We can think about this lake in its immediate physical context and see some primary uses for it, such as canoeing and fishing. But when we think about this same lake as an engineer would by focusing on its capacity to generate energy as an additional value beyond the lake’s natural state as a body of water, we suddenly see the potential created by the lake’s elevated position.

De Soto suggests that many third world countries are like the lake. They possess many assets that have never been fully recognized. These assets can’t be fully used as leverage for new investments, can’t be traded on the open market, and can’t be fully protected when disputes regarding ownership arise.

I propose that similar conditions exist in contemporary organizations. They also possess massive resources that are rarely realized in terms of their full potential. These resources are the talents, energy, commitments, skills, ideas and knowledgeable insights that emanate from those who work in the organization.

De Soto suggests that two challenges confront a third world country. First, leaders of the country must formally recognize the capital that currently exists in the country. Second, these leaders must discover or invent a mechanism for converting this capital into a sustainable form that is useful to the country and promotes the welfare of the country. Returning to the analogy of the lake, De Soto (2000, p. 45)
suggests that:

The challenge for the engineer is finding out how he can create a process that allows him to convert and fix this potential into a form that can be used to do additional work. In the case of the elevated lake, that process is contained in a hydroelectric plant that allows the lake water to move rapidly downward with the force of gravity, thereby transforming the placid lake’s energy potential into the kinetic energy of tumbling water. As electricity, the potential energy of the placid lake is now fixed in the form necessary to produce controllable current that can be further transmitted through wire conductors to faraway places to deploy new production.

Similarly, for the leader of an appreciative organization, the first step, with the assistance of an organizational coach, is recognizing the exceptional competencies that already exist in the organization. The second step, once again with a coach’s assistance, is converting these competencies into fixed and sustainable forms that can further the intentions of the organization. According to De Soto (2000, p. 45):

What was required [in realizing the potential of the mountain lake] was an external man-made process that allowed us, first, to identify the potential of the weight of the water to do additional work and, second, to convert this potential energy into electricity, which can then be used to create surplus value. The additional value we obtain from the lake is not a value of the lake itself (like a precious ore intrinsic to the earth) but rather a value of the man-made process extrinsic to the lake. It is this process that allows us to transform the lake from a fishing and canoeing kind of place into an energy-producing kind of place.

The same holds true in an appreciative organization. It is not the structures, processes or culture of the organization that make it successful. Like the lake, these elements of the organization only hold and shape the expression of its potential; they are not, in and of themselves, the realization of this organization’s potential. An appreciative organization is successful in our contemporary world because the value of these structures, processes and culture is acknowledged. Appreciative strategies enable the leaders of an organization to fully engage these structures, processes and culture in alignment with the organization’s strategic intention.

De Soto has something more to say about capital. His wisdom is directly applicable to our understanding of appreciative organizations. Like the potential energy of the mountain lake, capital is dormant until such time as it is put to use: “Bringing [capital] to life requires us to go beyond looking at our assets as they are to actively thinking about them as they could be. It requires a process for fixing an asset’s economic potential into a form that can be used to initiate additional production” (De Soto, 2000, p. 45). Similarly, it is not enough to identify and enumerate the sources of strength in an organization. It is not enough to appreciate the contributions already made, or to be made in the future, by members of an organization. An appreciative organization, an appreciative leader, and an organizational coach taking an appreciative approach, embrace a way of “actively thinking about” these strengths as they might be fully engaged by the organization.

**THE NATURE OF HUMAN CAPITAL**

Human capital may seem to be a dehumanizing term. This is because the word
capital is usually associated with money and economic values, not with people or humanistic values. Then why use the term, human capital? This seems particularly inappropriate if we, as clients and coaches, are going to take an appreciative approach in addressing the challenges of contemporary organizations. People are not just figures on a balance sheet. We can’t place a price on the head of any employee.

There are several reasons for embracing the concept of human capital. First, we can return to older meanings of the word capital. During Medieval times, the word capital referred not to money but rather to livestock. The primary medieval concern about capital centered on animal husbandry. Having acquired the land, how does one create an environment—in this case, a pasture—that is conducive to health, growth and vitality? Capital in medieval times was dependent on how much land one owned. It further depended on what the landowner did with his land and with those populating this land, whether they were cattle or people. Much like the engineer facing the lake, the medieval landowner had to release the potential of his land through the raising of cattle. Otherwise the land was worthless.

The land may be beautiful to view, or it might even be a site of historical importance. But it is of no practical value to the landowner. Pastures are living systems and contemporary organizations are living systems. I propose that capital in an appreciative organization, among appreciative leaders, and supported by appreciative coaches, is primarily associated with people and humanistic values, rather than with money or economic values. The potential of the contemporary organization is still only realized when a nurturing environment is created where human beings can thrive and find sustenance—much like the cattle of medieval pastures. Thus, I use the term human capital to remind us of the living nature of most forms of capital extant for the past five to six hundred years.

I use the term human capital for yet another reason. Modern accounting principles identify human resources as either a financial expense or a financial liability. While land, buildings and machines are assigned a financial value and categorized as organizational assets, the salaries being paid employees are categorized as expenses. Long-term employment contracts may even be categorized as liabilities. Consequently, a financially savvy manager will recommend that machines replace employees, so that the organization’s expenses can be reduced and its assets can be increased. As leaders and coaches we must counter this shortsighted assignment of employees to the deficit side of the financial ledger by repeatedly noting that the knowledge, skills and aptitudes of employees are viable and tangible assets.

Machines and buildings are not the only assets of an organization. The talents of employees also belong on the ledger. While it will be very difficult to change the standard accounting principles, it is possible for us to restore the concept of human capital and to identify the means by which this capital can be assessed and assigned a value. When we take this stance, the appreciative perspective acquires some muscle. It moves beyond the softer dimensions of appreciative inquiry. The appreciative perspective becomes something more than a vague statement regarding the important role people play in organizations. According to one source, at least 70% of the U.S. Standard & Poor’s companies’ market capitalization is accounted for by ‘intangible assets’ (e.g., goodwill, patents, intellectual property, and human capital), rather than traditional ‘bricks and mortar’ (The Economist, 2006). Appreciative leaders, with

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the support of appreciative coaches, embrace strategies and frameworks that put human talents and machines on an equal financial footing and that place people at the heart of the enterprise rather than in a peripheral position.

I use the term human capital for a third reason. I use this term to honor the insights offered by Hernando De Soto. He doesn’t use the term appreciation, nor is he likely to be aware of appreciative inquiry. However, his commitment to finding and securing the wealth that is to be found among the poorest people in the world is among the most disciplined and humane form of appreciative analysis to be offered during the past decade. I hope that my own analysis of hidden human capital in contemporary organizations does justice to De Soto’s illuminating analysis of capital in underdeveloped countries.

THE RELEASE OF HUMAN CAPITAL
The word release has several interesting meanings, each of which helps inform effective coaching. One meaning of the word concerns the removal of barriers so that a dynamic system might move forward in a specific direction. De Soto’s mountain lake illustrates this use of the term. When engineers design a system to make full use of the potential energy contained in the lake’s water, they construct some device that first holds back or channels the water, then releases it through a system of turbines. In a similar manner, the role of leadership and coaching in an appreciative organization is to identify strengths in the organization. Leaders, with coaching assistance, then structure and channel these strengths, so that they might be released with maximum impact. Appreciation is not just a process of recognition; it is also a process of design. Appreciation provides direction for the dynamic forces that operate in an organization.

The word release also conveys the idea of being set free, of being unbound. Release enables a transformation from captivity to freedom. Restriction, repression and confinement are removed, as in a convict’s release from prison. From my own experiences as an organizational coach and consultant, I know that appreciative strategies are often experienced as a release from a psychic prison for clients who benefit from their use. I propose that the traditional deficit approach to human resource management is outmoded in the twenty-first century. It is destructive. It discourages innovation and depresses employee morale. It imprisons people, who yearn for liberty. De Soto proposes that poverty doesn’t eliminate the accumulation of capital, it only eliminates the capacity of poor people to make use of the capital they have accumulated. Similarly, a deficit approach to human resource management doesn’t eliminate the knowledge, skills and aptitude of an organization’s employees; it only eliminates the capacity and willingness of these employees to reveal and make use of these competencies on behalf of the organization. An employee who is released from the prison of negativity and deficits will be released on her own recognizance. She will be free to make choices and be appreciated for distinctive contributions she makes to her organization.

A third meaning of the word release suggests yet another dimension of the appreciative organization and another appreciative coaching strategy. Release describes expansion and the act of giving out to the world. We feel a sense of release after a session of yoga or after listening to a Bach fugue. We are released from our sense of ego and self when we meditate or when we participate in an ancient ritual. We are released from our personal concerns and our preoccupation when we attend to another person, when we understand how members of another department in our organization perceive a particular event or when we can empathize with the complex challenges facing a leader in the twenty-first
century. This act of recognition and compassion resides at the heart of any act of appreciation and any coaching strategy that is appreciative in nature. We see. We understand. We honor. This is the implicit credo of any appreciative approach to organizational coaching and leadership.

There is a fourth meaning that comes from breaking the word into two parts: re and lease. When we examine the word from this perspective, it reveals a fundamental principle of appreciation. To re-lease is to reclaim or re-establish a trusting relationship. We take a new lease on life or renew our lease on a home or office. In appreciative organizations, and while engaging in appreciative coaching (as client or coach), we are mindful of the value inherent in rituals of re-commitment and renewal. We honor the work already done and acknowledge the contributions made by all members of the organization to its distinctive character and achievements. Appreciative coaching always involves re-cycling through phases of reflection and action of an organization. Appreciative leaders are always learning from past successes and challenges, while also leaning into the future. There is always rich learning to be derived from any organizational experience, be it a success or a failure. For everything there is a season.

THE ACTS OF APPRECIATION

Three Domains

Water in a dam must be channeled and transformed to useable (rather than potential) energy via turbines. Similarly, human capital must be channeled and transformed. There are three domains through which acts of appreciation can channel and transform potential human capital into organizational energy. These three domains are information, intentions and ideas.

The domain of information is entered whenever we attempt to find out more about the current condition in which we find ourselves. In soliciting information, leaders act as researchers, asking questions that can be answered by a systematic collection of information. For example, if a college wants to know which of four academic programs are potentially most attractive to a particular group of prospective students, then a sample of these students might be asked to indicate under what conditions they would be likely to enroll in each of these four programs. The information obtained is valid if the students have been honest, if the right questions were asked and if the sample used was representative of the entire pool of potential students. If the information is valid, then the college should be able to state with some confidence which of the academic programs is most attractive to this population of potential students.

In understanding the current situation, however, leaders must not only seek information that is valid. They must also seek information that is useful. It must relate to the target that the leader and her team wish to reach. Thus, if the target concerns increased financial viability for a college, then a market survey will be of little use, even if the information obtained were valid. It is only useful if the costs associated with each of the four programs also can be determined, along with the acceptable tuition levels for this population of students regarding each of the four programs. It is surprising to see how often information is collected that relates only marginally to the problem faced by an organization!

Many realistic plans can be established and problems can be solved through the systematic collection of valid and useful information. This lies at the heart of rational, linear planning and modern management processes—an approach that is best represented by the work done during the early 1980s by Kepner &
Tregoe (1981) and Plunkett & Hale (1982). In other instances, unfortunately, effective leadership cannot exclusively be based on information about the current situation. Many organizational decisions, particularly those involving people rather than machines, center, at least in part, on conflicting goals, objectives or desired outcomes. Attention must shift from the domain of information to that of intentions. This domain is likely to be particularly important in today's society, where conflict in values and purposes is so common.

The domain of intentions is entered whenever we attempt to understand and clarify an organization's mission, vision, values or purposes. While research prevails in the area of information, clarification prevails in the area of intentions. Unlike traditional approaches to the clarification of intentions, which tend to emphasize enforcement or modeling, intention clarification focuses on the way in which mission, vision, values and purposes come into being. As we become clearer about our intentions, we will begin to produce solutions that are more and more consistent with these intentions. The process of clarifying intentions becomes richer and more profound as each of us moves toward greater maturity (Rogers, 1964). A mature intention is freely chosen; it is not imposed (where an imposed requirement is part of the situation). A mature statement of mission, vision, value and purpose is prized and affirmed; this statement serves as a guiding charter for one's department or organization and is repeatedly acted on in a consistent and persistent manner (Raths, Harmin, & Simon, 1966, pp. 28-29).

The domain of ideas is entered whenever an attempt is made to generate a proposal intended to move from the current to the desired state. Ideas are sometimes fragile, often misunderstood, and easily lost. While information exists everywhere, we often ignore or misinterpret it. But we can usually go back and retrieve it. Similarly, even though intentions may be ignored or distorted, they resist extinction. Their resistance to change is often a source of frustration: old values linger as do old visions and purposes. Good ideas, on the other hand, are easy to lose and hard to recover.

Settings must be created in which ideas can readily be generated and retained. Two processes are essential. Divergence produces creative ideas. Divergence requires a minimum censorship of ideas, minimal restriction on people offering their own suggestions and taking risks, and minimal adherence to prescribed rules or procedures for the generation of new ideas. The second process is convergence. People must be given the opportunity to build on each other's ideas, to identify similarities in their ideas, and to agree upon a desired course of action. Convergence requires leaders to observe specific rules and procedures, to listen to ideas and to be constructively critical of other ideas. The domain of ideas often requires leaders to display a subtle and skillful interplay between convergence and divergence.

Reflection and Action
An appreciative perspective not only blends information, intentions and ideas. It also balances phases of reflection and action. Frequently, members of organizations will spend too much time in reflection and never move beyond untested ideas, or they will move precipitously toward action with insufficient attention to either information or intentions. Appreciation requires a balancing of the two.

This is the key to appreciation: understand and appreciate the context within which one is working and assume an appropriate role in meeting the distinctive needs of the current setting.
The **activist** is to be found in many contemporary organizations. The activist dwells in a world of ideas and action. Things are to be done immediately: “Why put off ‘til tomorrow what we can do today?” For the extreme activist, cautious deliberations are frustrating and demoralizing: “Let’s get on with it!” The extreme activist tends to define the world in terms of courage and risk-taking: “Nothing ventured, nothing gained.” She often suspects that the real problem of those who urge more deliberation is an unwillingness to take risks. This activist believes that action must be taken even though not all the information is in and even though the proposed solution is not perfect: “Something is better than nothing.”

By contrast, those who tend to dwell more on reflection than action are oriented either toward realism or idealism. Whereas the activist tends to dwell in the domain of ideas, the realist prefers the domain of information and the **idealist** the domain of intentions. The extreme activist views the idealist as hopelessly romantic: “The idealist would rather build castles in the air than construct a durable bungalow on earth.” Similarly, the extreme activist often perceives the realist as being an immobile, often obsessive person: “The realist never lifts up his head high enough or long enough to see what is actually happening in the world.”

Members of organizations are often pulled, not only between reflection and action, but also between realism and idealism. The extreme realist is careful and cautious, because of concern that new ideas may be enacted through wishful thinking (the failure of idealism) or without anticipating the consequences (the failure of activism). “Too many people,” according to the extreme realist, “go off half-cocked, with very little sense of the resources needed to solve a problem and without a clear understanding of the current situation to anticipate all of the consequences associated with a particular solution.”

The extreme idealist is someone who can pick out the flaw in any situation. Within minutes of arriving on a new job, entering a new relationship, purchasing a new home, or formulating a new program, the extreme idealist is imagining how things could be improved. She challenges the mundane reasoning of the realist and notes that new perspectives are needed on old problems if the activist is to be successful in generating proposals to solve these problems. Like the realist, the idealist is cautious and reflective, but not for a lack of adequate information. The idealist is concerned about confusion between means and ends, about losing the war while seeming to win individual battles through expedience. The idealist confronts the realist with his lack of courage: “If bold vision is lacking, then when will risks be taken and progress made? Without courage and vision where is the capacity to endure against adversity?”

Effective participation in an organization, whether individually or in a group, requires an integration of these different perspectives. This is the key to appreciation: understand and appreciate the context within which one is working and assume an appropriate role in meeting the distinctive needs of the current setting. Appreciative members of an organization shift between the domains of information, intentions and ideas. When confronted with a new, unpredictable situation, an appreciative person will tend to become realistic by attempting to assimilate this new reality. When confronted with an old, unchanging environment, she will tend to become a daydreamer, creating images of how this environment might be transformed. When confronted with the press of time and events, the appreciative member of an organization will tend to mobilize his activism, creating proposals to meet these challenges.
The appreciative member is someone who will adapt to changing conditions by moving into all three domains. By contrast, the extreme realist will attempt to collect information even when the environment is unchanging and in this way will contribute to the resistance of this environment to change. Similarly, the extreme idealist will daydream not only under conditions of relative stability but also under conditions of rapid change and instability, and in this way will add to the instability of the environment and to its unpredictability. The idealist under stress retreats to another world that is much safer. She should instead be confronting the current situation. The extreme activist will respond with hasty actions even when there is no press of time or events. She will even create crises where there are none in order to justify precipitous action. The failure in the activist’s haste may, in turn, produce a new crisis that makes activism seem to be appropriate, thereby initiating a self-reinforcing crisis-management mentality.

When taken to an extreme, each of the three preferences tends to be ineffective in some settings and to create more problems than it solves. Reflection must be balanced against action. Furthermore, the period of reflection must provide opportunities for both the collection of new information and the clarification of existing intentions. An appreciative balancing and integration of reflection and action requires that action produces information and is based on information; furthermore, actions inform and clarify intentions, and reflection leads to decision and action.

CONCLUSION

De Soto mentions that he is emulating his namesake, another adventurer named De Soto, in his venture into new lands and new perspectives regarding the mystery of capital. He suggests that the old solutions do not apply in a world that provides cable television to men and women living in huts with dirt floors. I would similarly suggest that we must be adventurers in our reform of contemporary organizations, for our world of the twenty-first century is much too complex and unpredictable for deficit-based twentieth century strategies.

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Bill Bergquist has offered professional coaching services for more than forty years. As author of more than forty books and fifty articles, Bill continues to be interested in the dynamics of profound individual, group, organizational and societal transformations. He has coached and consulted with corporate, human service, educational, and religious organizations throughout North America, Europe, Africa, and Asia. Having served as President of The Professional School of Psychology (PSP) for the past 21 years, Bill is now concentrating on building a distinctive doctoral tutorial program at PSP that blends intensive in-person and virtual at-a-distance interaction between tutor and mature, accomplished student. With John Lazar, Bill co-founded and serves as co-executive editor of *IJCO* and was also one of the co-founders of the International Consortium for Coaching in Organizations (ICCO, serving currently as Dean of the ICCO Symposium Series).
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