

The Foundation Forum – Wednesday 13 April 2011

**“Business does better when run like a machine, not like a social network”**

***Should business be more human? Or does that make a large organisation too complicated to manage? Is success down to the people – John Lewis for example? Or are people the problem – bankers and bonuses for example?***

In line with our view that difficult issues are best understood by looking at them from a range of perspectives, our Forums have three speakers who each have an interesting point of view around the subject under discussion. In this case we had **views from a former CEO** of a clever media agency and then two big media businesses, **an academic and author** on innovation and a **former Royal Marine** who helps leaders of business and sports teams to perform at the highest levels by being more human.

They were:

- **Paddy Barwise – Emeritus Professor of Management and Marketing at London Business School. Also Chairman of Which?, the UK’s leading consumer organization and the author of ‘Simply Better: Winning and Keeping Customers by Delivering What Matters Most’**
- **Richard Eyre - Chairman of the Eden Project and the Internet Advertising Bureau, and a former CEO of Capital Radio, ITV and Pearson Television and Board Director at Starcom Media**
- **Simon Scott – A Royal Marine for 11 years before becoming an advisor to a wide range of business-people, sports teams and organizations including HSBC, the Foreign Office, Tesco, GlaxoSmithKline, Haymarket Media and Innocent Drinks.**

Our speakers’ full profiles are at the end of this note.

### **A view from academia – Paddy Barwise**

Businesses can profit from machine-like rigour and precision. Diagnostic scores can help organisations know exactly where they stand in terms of customer perception, and in this sense the mechanistic approach breeds efficiency within businesses. To achieve success, an organisation must be ‘open’, but it is often the case that market signals, particularly negative market signals, don’t travel easily.

In business, everybody lies a little to their boss, and senior management tend to underestimate the amount that this happens. Often, when something goes wrong, more emphasis is put on trying to cover the problem up rather than solving it. Due to the hierarchy of business, market signals such as customer insight get lost and fail to reach senior management, and it means nothing unless it reaches the people who have the power to act on it.

In order to gain the best customer insight and fully empathise with consumers, senior management need the more human, empathetic approach of a social network. They need to spend time immersing themselves in real customers' lives. Responding to customers, as opposed to just measuring customers' responses, requires the closure of the 'empathy gap' between senior managers and front line staff, and between senior managers and real customers. Through a process of empathetic immersion, important unwelcome messages can reach the key decision makers and those who can make a difference.

My supposition is that both the mechanistic and humanistic (social network) approach have their merits, and businesses require both. The balance of components is tailored according to the individual needs of the company. Those competing on price will place a greater emphasis on the systems approach, whereas those competing on added value benefits will err on the softer side of human empathy.

### **A view from business – Richard Eyre**

This is one of those questions where the sensible path is straight to the reassuring beige of the middle ground. A machine has well oiled parts, carefully fashioned to work perfectly together. A social network is a living, breathing organism of authentic human interactions – a reflection of genuine self-expression.

Yet scratch the surface and both models expose their flaws. A machine is just a machine; it lacks understanding of the subtle shades of grey, and is a poor frame for accommodating the unexpected and disruptive, as well as for nurturing ideas and personalities. As for the social network, its purpose is to facilitate relationships not outcomes; but a successful business must be highly focused on its outcomes and impact. So essentially, I don't think I like either of these.

However, on the basis that The Foundation is a hotbed of lateral thinking, I'm confident that failing to answer the exam question by swapping it for a better one is an approach that will go down well. Throughout my 35 years in business there have been developments in another institution which is a far more interesting model for an effective business – the family.

People are tribal. We naturally form ourselves into groups and figure out our place in the herd. Yet the common ground is this: everybody wants to be trusted, to be listened to, respected, to be accepted, loved and to be forgiven. These are components of the human condition which cannot be checked in at reception when people arrive for work.

Respect, acceptance, love; these are the pillars of self-worth, given foundation by a strong family life. Business life is too complex for success to be solely weighted by a small coterie of people at the top.

No matter how brilliant or energetic, a small group of leaders will never be as effective as if they harness the imagination, relationships and knowledge of all the people employed in the firm. Authentic leadership is that which shares as much information as it can, is genuinely interested in people's point of view (without shirking the ultimate responsibility of decision making) and which doesn't revert to 'command and control' at the first sign of independent thinking.

What I'm talking about is not a machine; not a social network. But rather a business that is creative, bonded and dynamic; like a family.

### **A view from the military – Simon Scott**

The defining 'commando' spirit of a Royal Marine is encapsulated in four values: determination, unselfishness, courage and cheerfulness in adversity.

In my experience, many executives don't really understand how humans work, and could learn a lot by adopting the training model of the Royal Marines; they create the conditions for ordinary people to achieve extraordinary performance.

The Royal Marines function at a very high level of performance because they receive constant, sustained feedback – they always know what they need to do in order to achieve the mission.

We start by asking how we want our people to perform. Marines are frequently placed in high pressure, dangerous and fast changing situations. In these circumstances we need individuals who can make decisions and take action which are both in line with the mission and true to the commando spirit. Training is focused on simulating conditions that will enable officers to practice this behaviour.

Let me bring this to life using a practical example, what we in the Marines call a 'dit' or a story. When on patrol in Afghanistan an officer stood on a trip wire connected to a grenade on the road side which then set it to detonate. Without pausing to think, he jumped and lay on the grenade to save the life of his three colleagues. Luckily his rucksack and the blast protector behind it took the impact of the explosion, leaving him alive but injured (he was blown several feet into the air). Yet the officers didn't let this distract them from their mission to disrupt the Taliban. Instead the team reviewed the situation and used it to their advantage; they recognized that the exploding grenade would invite the Taliban to investigate and so lay low until approached. The Marines were in a position to ambush when they did, using adversity to their advantage.

So how do we achieve this type of behaviour, not just once but regularly? My argument is that there's no place for a machine in this – it's about humans being at their best. The way we cultivate this behaviour is through continuous learning. Sometimes learning happens in a formal way, and sometimes it happens through experience, by putting Marines in controlled situations and learning to perform through practice so the action becomes repeatable in a subconscious way. As a result when they are in high pressure situations for real, they can repeat the actions they need, instantly and with complete commitment.

As well as practice and learning, energy is crucial to performance. It is key to review the energy and motivational state of your team. Are the members of the team energy drainers or energy boosters? A key part of energy boosting is confidence. Confidence comes from the stories you tell yourself and the stories other people tell you. These stories help teams connect with and gain confidence from the past, they help people connect to each other and get clarity on what they have achieved – think it, say it, share it.

A final thing that the Marines taught me is the importance of clarity. Achieving this means defining the mission first, then thinking about the execution by asking 'how do we get there?' This focus on the mission and the result leads to synchronized operations and an approach that stays on track once the initial plan has been disrupted by the inevitable chaos of battle.

These processes can be perceived as machine-like drills but they're not. How we learn and the ways we use energy and clarity are all based on how humans behave, how they think and how they work. If we can make sure we always have energy and clarity, and what we learn becomes part of our subconscious and habitual, then we have created the conditions to help us perform in high pressure situations.

### **The Foundation view – Charlie Dawson**

I started the session like Richard and Paddy, assuming that the answer was halfway between man and machine. By the end I had changed my mind in a direction that countered my engineering roots because it seemed clear that the bits of organisations that are machine-like still need to be operated by people.

The fact that it's all about people seems to be an inconvenient truth. For some reason, leaders, despite being people themselves, seem to naturally prefer a style of leadership that is more mechanistic. Perhaps things seem simpler that way. It's certainly hard to manage a family, let alone hundreds of thousands of people all behaving like one.

We like to take a balanced view – it's the Foundation's raison d'être. In this case the balance is less obvious than it first appeared. When we're in a large group we behave like a large group of people. But when leading one we behave more like we are driving a car. It's too complicated to understand all the individual characters in something of any scale. But the Marines show one way of recognizing the humanity of the group and employing a leadership approach that gets reliable, often remarkable, results.

## Speakers' profiles in full

**Paddy Barwise, Emeritus Professor of Management and Marketing and London Business School and Chairman of Which?** Paddy started life at IBM before joining LBS in 1976. He has developed a great body of work on management, marketing, media and market research, and is adept at telling people about it in an entertaining fashion. He co-wrote the book 'Simply Better' with Sean Meehan (something that we also helped with in a small way), that won awards and acclaim for its counter-fad message ('it's basic things done well that matter most, and that in itself is often different'). They have just published a new book, 'Beyond the Familiar – long term growth through customer focus and innovation'. You can see why we like it here! Paddy will (no doubt!) reference it – its aim is to understand what causes long term organic growth, and concludes that the answer is cultural, requiring actionable customer insights flowing freely through the business leading to consistently better customer solutions, experiences and brands.

**Richard Eyre is Chairman of the Eden Project and the Internet Advertising Bureau, and a former CEO of Capital Radio, ITV and Pearson Television.** He was also an Executive Director of RTL, the largest broadcasting company in Europe. He turned his back on a lucrative air miles package to fulfill some wider ranging ambitions. He has written a novel (a fable about people who have fallen in love with their job) which was published by Penguin and won a radio license in his beloved Cornwall. He also celebrated his 50th birthday by walking to the North Pole. Despite sounding rather lofty he's extremely normal in a bright kind of way. His response to being asked to speak at the Forum included the question "have you noticed how ridiculous the spell-check is in the iPad? I mis-hit a letter in 'going' and it offered up 'flinty'. Brilliant theoretical idea to work out words formed from letters around the target zone, but so fabulously unhelpful in practice."

**Simon Scott was a Royal Marine for 11 years before becoming an advisor to a wide range of senior business-people, sports teams and interesting individuals.** While a Commando Officer in the Marines he led teams of up to 600 around the world in a variety of situations, learning in practice how to achieve difficult objectives in hostile and frightening environments through empowered teams of highly trained people. He worked as a diver in Antarctic conditions, in Northern Ireland and in Central America. He has spent many years as a sports coach, first in athletics and then in triathlon where his team were national champions. He works closely with Steve Williams, who won his second Olympic Gold Medal in Beijing as leader of the coxless four. In business his principal work is with leaders at Board and Director level, and often with their teams too, helping them to find ways to be stronger and measurably more successful, however they define success. Simon's current clients include: Tesco, HSBC, GlaxoSmithKline, Haymarket Media, Innocent Drinks, the 2012 Olympics and a number of ambassadors in the Foreign and Commonwealth Office.