



Aspiring leaders gathered in December in the interesting venue of the Central Hall Westminster. 800 of them, occupying only the lower of the two tiers of seating in the 'Grand Hall' – belt tightening presumably having a bigger impact on bookings than any belief that leadership is the way out of the recession. The venue was an interesting choice. Convenient yes, historic certainly, with the Victorian features from the ceiling roses to the plumbing still aesthetically pleasing and fully functioning. Interesting and historic but in sharp contrast to the many voices promoting the need to throw out the old management paradigms and bring in the new to have any hope of fighting the recession. Apart, that is, from one very well known, rather crustaceous but very persuasive voice. More about him later. I'm going to start this review of Leaders in London with the thoughts of the thinkers, the speaker category with the biggest membership.

The Thinkers

Many people attend conferences to get new ideas and / or to provide thinking time so you would expect full time thinkers to be just what the doctor ordered. Especially if they're in at No. 11 on the "Thinkers 50" (the list of the world's top business thinkers). Although it seems like an age ago, I remember sweating blood over Kotler's massive textbook and always admired his customer-centric view of marketing, not to mention the millions of books he must have sold. Imagine my disappointment when he treated us to a lecture he could have delivered to his first year students a few days ago, or worse, a few years ago. We sat through a thorough text book account of the evolution of marketing and encouragement to fight the recession with paradigm shifts but no new insights as to what these might be.



Philip Kotler
Professor
Kellogg School of Management

Surely Gary Hamel would be better. After all, he co-authored "Competing for the Future", the best selling strategy book of all time and wrote 2007's Best Business

Book (as voted by editors of Amazon), "The Future of Management". Both titles sound very apt in current times. Well he was certainly more animated than Kotler and a lot noisier, and much more scathing about the complete failure of modern management, which, according to Hamel, has not really progressed since the 50s or 60s. However, he did suggest some specific ideas for how to do the paradigm shifting and become 21st century leaders. One idea was to ask thousands of outsiders to help develop your company strategy. I think he meant customers. An interesting idea, and one that was developed later and far more tangibly, by one of the doers. Most of his ideas were focused internally on employees and culture and were drawn from his favourite companies like W L Gore and Semler Corp. For the latter see the book review in a very early edition of Stakeholder Satisfaction (December 2003), but there are many parallels between the two companies. Both are supreme examples of employee managed, in fact, employee led organisations. Work units are self-managed teams who appoint their own 'leader' and can do whatever they think appropriate to achieve agreed revenue targets. No-one can tell anyone else what to do, but peer appraisal determines pay, so contributing is a sensible career strategy. All employees can spend 10% of their time on whatever they find personally interesting. As well as helping employee engagement, this policy generates most of the company's new products and growth. Hamel's





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fundamental point is engaging, empowering and therefore harnessing the creative potential of all employees. Not a new idea but certainly a good one. He encourages organisations to develop "a thoughtocracy of ideas". Like the 540,000 suggestions generated last year just by Toyota's Japanese employees. Dell have an "IdeaStorm". The interesting thing here is that it's on the intranet for all employees to see and to comment on, like a blog, often generating many comments for each suggestion. Now that is a good way to harness the creative power of the workforce.



Gary Hamel
Visiting Professor
London Business School

Vijay Govindarajan is GE's Chief Innovation Consultant as well as an academic. Another paradigm shifter, Govindarajan uses an interesting high jump analogy to illustrate the view that successful innovation requires 'outside the box' thinking. In the early days of the last century the prevailing technique was the scissors, just like we all did at junior school, but over the years the much more efficient techniques of the straddle and then the Fosbury flop were developed. It is the completely new techniques that resulted in advances in the world record. It's very unlikely that men would be jumping almost 2.5 metres and women over 2 metres using the scissors! Govindarajan's five barriers to innovation are

1. Too much focus on current operations
2. Lack of tolerance for failure
3. Not embedding innovation as an important responsibility for every employee
4. Too much silo mentality
5. Lack of a global mindset.

Govindarajan thinks that overcoming the first barrier is the biggest challenge for most organisations, saying: "The problem is not so much getting new ideas in as

getting some of the old ideas out. You need to forget some of what has made your core business successful."



Vijay Govindarajan
Professor
Tuck School of Business

Author of "Microtrends: the small forces behind tomorrow's big changes", Mark Penn was a valued advisor to both Tony Blair and Bill Clinton, helping them to identify and respond to consumer trends and voting patterns. Penn's key trend is the transition from the "Ford economy to the Starbucks economy" – a world of mass customisation and fast emerging niche markets. In the Ford economy seeing new patterns was less important than creating them, marketers seeking to create markets and manipulate consumer choices. Of course, you could debate this. I've always agreed with Peter Drucker that the most profitable business model has always been to sell products that customers want to buy rather than persuade them to buy the products you want to sell. Where Penn and I would agree, however, is that burgeoning information and communication channels in the internet age have made it much more feasible to identify and respond to niche trends and needs. Not just feasible but essential, since growing consumer confidence together with widely available information on niche products and services means that consumers are no longer prepared to settle for second best. Microtrends might not be a quick fix to battling your way out of the recession but will surely be a key element of all good companies' innovation strategies in the 21st century.



Mark Penn
Author and Consultant.

The Doers

Some of the doers are technically ex-doers (or is that didders?), but if they run, or have run proper businesses, they're in this section. That doesn't mean they were all great contributors to the conference. The one I was most looking forward to as a champion of entrepreneurs, was the most disappointing. Luke Johnson, best known for Pizza Express but also successful owner of businesses across many other sectors was a strict verbatim reader of a speech, much of which was quotes from other people.



Luke Johnson
Entrepreneur and Chairman,
Channel 4

Charlie Mayfield is Chairman of John Lewis Partnership (including Waitrose), clearly admirable businesses. He acknowledged that they're suffering in the recession, especially on higher ticket durables, but he isn't changing his strategy. Based on Harvard's Service-Profit Chain principles, his key management beliefs such as the Customer Value Proposition and the Employee Value Proposition have been widely covered in earlier editions of Stakeholder Satisfaction. For details go to www.stakeholdermagazine.com and see the December 2003 issue for the Customer Value Proposition and the March 2004 issue for the Employee Value Proposition.



Charlie Mayfield
Chairman
John Lewis Partnership

With the recent withdrawal of Honda, Formula 1 is not currently a comfortable place to be, but listening to boss Ron Dennis, one team that's not quitting is



McLaren, home of newly crowned world champion Lewis Hamilton. Since their mission is that they exist to win, you wouldn't expect them to be quitters, but Dennis had some very interesting messages of great relevance to business in the 21st century, especially on the need to increase the speed of making and implementing decisions without reducing the quality of outcomes.

reward success not mediocrity.



Ron Dennis
Chairman and CEO
McLaren Group



Dennis pointed out that over a lap of almost three miles the difference between the fastest and slowest car on the grid in the Brazilian Grand Prix was 1.74 seconds. To maintain an edge in such a competitive environment, a McLaren car will be 2 seconds quicker at the end of the season than it was at the beginning. To achieve this, a change to the design of the car will be made every 20 minutes! To maintain this pace of change, decisions about design improvements must be debated, adopted and implemented at breakneck speed, but without compromising quality. The cars must obviously remain safe, that's just a given, but the design changes, or at least the vast majority of them also need to work. To give a couple of examples, it takes a volume car maker five years to conceive, develop, test and build a new car. It takes McLaren ten months. It takes Ford up to two years to design and develop a new suspension system. McLaren have done it in two weeks. Dennis emphasised that to succeed in this pressurised environment, everyone on the team must be highly ambitious and totally engaged, so employees are highly incentivised, but rewards are not automatic, they follow results and

One of the most interesting speakers, and certainly one of the most engaging, was Richard Reed, co-founder of Innocent Drinks, Britain's fastest growing food and drink company, achieving a turnover of £100 million in less than 10 years. Reed had 5 messages based on the lessons he's learned over this period. First, *"keep the main thing the main thing"*. Maintain focus on a clear product offering that is designed to match precisely the needs of a target customer group. Second, *"it's all about the people"*.



Richard Reed
Co-founder
Innocent Drinks

Like Dennis, Reed advises recruiting the best people that match the values of the business, then do all you can to engage them. As an example, on day 1, new Innocent employees are given a mug and

a bowl with their name on, for the free drinks and breakfast. Third, *"make money"*, but only if you can do it ethically and sustainably. Fourth, and again echoing Dennis, *"take care of the details"* because if there's parity in a market, it's the little details that make the difference. Last but not least, *"open up, listen up"*. Customer feedback is essential. The business needs to know at all times how customers see it and that they are satisfied with what they're getting.

Gary Hamel suggested that you should ask thousands of outsiders to help develop your company strategy – just what Carly Fiorina did when she became the first (and still only) female leader of a Fortune 20 company in 1999. Hewlett Packard had just missed its 9th consecutive quarterly forecast. For a technology company at the height of the dotcom boom, that was not a good performance. In the next issue of Stakeholder Satisfaction we'll look in detail at the strategic changes that resulted from this customer consultation, but in this article I'll outline her approach to changing the culture at HP.

Fiorina inherited a very conservative culture where people were very thorough, took few risks and were rewarded for beating internally generated (conservative) targets. The first thing she did was to reward people for satisfying customers before developing and communicating the company's new strategy and vision. Although HP's strategic direction was changed massively by Fiorina, she was at pains to emphasise that as long as a vision is only the leader's, it won't succeed. You have to communicate the vision sufficiently well to motivate some employees (change warriors) to lead the others into the new land. There are some very senior people who don't lead (which is a big problem) and others lower down who can be highly motivated and very influential. To successfully drive through change, you don't need unanimity but you do need critical mass. You must therefore identify the change warriors, recognise and reward them and celebrate success. Other people will be watching this and, apart from the most diehard change resisters, most will join the winning team sooner or later.



Fiorina also had some very relevant tips for beating the recession. She pointed out that people always like comfort zones, but never more than in tough times, when they're inclined to dig down into the trenches and protect what they've got. In fact, it's in the tough times that you most need to change. Darwin explained that the survivors are not necessarily the biggest, strongest or even cleverest species, but the most adaptable. It's the same for companies, but their leaders must show the way, above all striking the right balance between realism and optimism. Leaders must have the ability to recognise all the threats, obstacles and challenges with clear eyes and they must be truthful to employees about these. But they must also be optimistic, and succeed in communicating a genuine belief that the organisation can meet the challenges and build a better tomorrow.



Carly Fiorina
Director of several companies
ex-CEO HP

Someone who never had any difficulty being truthful with employees was Jack Welch, who worked for GE for 40 years, as CEO and Chairman for half of that time, during which time the company's market capitalisation surged from \$13 billion to \$400 billion. This earned him Fortune Magazine's accolade of Manager of the Century. Opinionated, cantankerous but infinitely wise and with both feet firmly on the ground, Welch has no time for too much academic theorising. He says that good managers have to be able to "eat while they dream". In other words, they must continue to produce short term results whilst looking after the long term future of the business. The ability to do this is the hallmark of great companies. Anybody can do one but not the other. Great leadership is the ability to make the right judgement calls between the two. So how did Welch allocate his time at GE. He claims that 75% of it was spent helping his people to perform better. He evaluated

his direct reports every three months, along the simple lines of: "Here's what I like. Here's what you can do to improve." He was very strong on the need to be candid with your people. They should never get any surprises.



Jack Welch
Fortune Manager of
the Century

Rather than hiding away in his office, Welch spent much more time out and about, talking to employees of all levels and to customers, saying; "Your job is to touch everyone and get into their soul." Welch's top 10 tips for creating corporate momentum are:

- 1. The right measures**
If he had to run the company on only three numbers they would be customer satisfaction, employee satisfaction and cash flow.
- 2. Build confidence**
Build self-confidence in your people.
- 3. Set your people free**
Like Harvard, Welch believes that employees have to operate within a clearly agreed set of parameters, but "you've got to have more freedom than you ever dreamed of."
- 4. Shout when you win**
You must celebrate all the victories, even the little ones.
- 5. Numbers aren't enough**
Sales and profit targets are not the vision. They are the product of the right vision and strategy successfully implemented.
- 6. Talent development**
At GE, Jack Welch and his top two HR people visited each division for a day and personally reviewed the top 20 to 50 people.
- 7. Fair doesn't mean the same**
To treat every person fairly you have to treat them differently.

- 8. Make people share good ideas**
At quarterly divisional head meetings Welch insisted that all managers shared the ideas and practices most responsible for their division's success that period. "We take the best of diversity and use it."
- 9. Meet customers more often**
Welch made a point of personally meeting all GE's major customers twice a year.
- 10. Don't dither. Jump**
"I've learned in a hundred ways that I rarely regretted acting but often regretted NOT acting fast enough."



Nigel Hill
Founder of The
Leadership Factor
and editor of
Stakeholder
Satisfaction.
Football highs -

meeting Bobby Charlton twice, the last 3 minutes of the 1999 Champions League final and Ryan Giggs' wonder goal against Arsenal.

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