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The ad space race: Tongal takes off



Tongal takes off

A new business venture aims to break the conventions of film making. Jonathan Winter reports.

The Boston-based software developer, TopCoder, has a global community of over 200,000 programmers. When a client asks TopCoder to develop software code, the work is divided into small modules and community members compete to develop the best code. TopCoder awards a prize to the winning developer for each module, and the pieces are then put together and handed over to the client.

Apart from growing its core business, TopCoder's next major step is Tongal, an entirely new business. Tongal is a community built by a community. Says TopCoder CEO Jack Hughes: "It's about using incentive systems to build interest, to build participation, to build a community. We have yet to see if Tongal will work but I'm very excited about it. I've invested in it and I believe in it."



Jonathan Winter

Speaking in Tongal

James DeJulio has a background in feature film making. In mid-2007, disillusioned with the inefficient, bureaucratic manner in which films were being developed, produced and financed, he decided to "shake things up a bit". He began exploring with Jack Hughes ways in which the TopCoder thinking could be applied to creating filmed content.

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“Making a movie no longer needs a major studio; now the crowd can be creative.”

Says DeJulio: “We wanted to move away from thinking that just a few well paid people are capable of creating, and making the decisions to create filmed content, whether it was in the form of a feature length film or a TV commercial. We believe in the industry adage that ‘Talent is Scarce’, but while the industry thinks that means 5 people, we think it means 5,000,000 people. That’s attainable when 1 billion people are connected via the Internet. A huge percentage of these people have proven that they are willing to create this content for free and publish it on the Internet, we’re going to put them to work for companies that need their help.”

DeJulio decided to start off with shorter pieces, beginning with thirty second commercials. He then plans to move into creating short films, music videos, instructional videos, and eventually TV and feature length films. As he points out, people can now access smaller, cheaper yet technologically sophisticated cameras and other equipment that were once the sole province of professionals. Making a movie no longer needs a major studio; now the crowd can be creative. People are already making and sharing their home movies on YouTube. The Doritos brand tapped into this recently with a competition to create an ad, with the winner being aired on TV during the US Superbowl.



Producing an ad this way brings huge cost savings to the client. As DeJulio explains: “The average cost of creating a 30 second ad is \$500,000, or more, and it costs another \$130,000 every time it is aired on prime time TV. When you take into consideration DVR penetration (35 per cent by 2012) and distractions (channel surfing, etc.) there is a less than 5 per cent engagement rate for the ad. Using the Tongal approach the cost could be as little as \$5,000 and customers never have to buy the ad space. The contests are designed to get the ads to permeate throughout the Internet, and we’re providing a monetary incentive for long term engagement by consumers with a product, brand, story, you name it.” Of course, the option also exists for ads to be made to air on TV if clients prefer.

Like TopCoder, Tongal is building on what people are already doing and adding the dimension of reward. It is blurring the lines between work and play. Again the concept is a combination of crowd sourcing and competition, with each project broken down into a number of stages, both to maximise interest and to make it possible for more people to find the time to participate and develop their skills.

Competition and Collaboration

How it works is that a 30 second commercial would be divided into three phases: the idea, the pitch and the video, each being awarded five prizes. Further prizes are awarded through Prediction Contests, where people predict which winners the judges will choose. Another prize is awarded to the video that get most viewings on-line. DeJulio adds: “Having a number of prizes rather than just one big prize encourages more people to join in, it’s the winning that matters not the size of the prize. Prediction Contests attract a lot of interest so the contest itself becomes part of the ad campaign; the process is as important as the end product for building brand awareness.”

Tongal recognises the diversity of the crowd. “The great thing about Tongal is that there is a place in the competition for people with all kinds of skill sets, so the mom in Iowa can contribute as can the film school student in New York.” But while De Julio recognises the

The ad space race: Tongal takes off continued...

value of these diverse individuals he also encourages collaboration. “Traditionally contests to create some sort of content are very individualistic. A person, or group of people goes off and creates something with no constructive input, direction or response from who the content is being created for along the way. We want people to work together and build off of each other’s work.”

Tongal launched on May 1, 2009. The first competitions included a music video for a record label, a TV ad for an internet company, and a beer ad. Beyond advertising, DeJulio envisions a global knowledge base for instructional videos, such as how to construct a DIY bookcase. He notes that people are putting these together anyway and posting the “How To” videos on YouTube; now there is a chance to be paid for the work they are already doing. He sees no limits on the products or subjects that could be included in such a resource.

Of course, individual companies could organise these activities to support their brands via their own websites, and some already do. But DeJulio believes that doing this through Tongal means a far bigger community with much more diversity gets involved, leading to better results all round and less expense.

Crowded market

Inevitably Tongal will face a number of challenges. DeJulio knows that one of these is to change entrenched attitudes so that more companies start to believe in the creativity of the crowd. This means moving marketing people away from their long standing loyalty to ad agencies. This is no easy task, but he believes the cost savings that the Tongal approach brings will be a big bonus in the current economic climate.

Another challenge is managing the size of the community. Tongal needs to build a big enough community to produce good work and have enough for them to do. If there is a week with no brand activity, there will be contests to create content, for example spoof commercials, or topical humour pieces, to keep the community actively engaged.

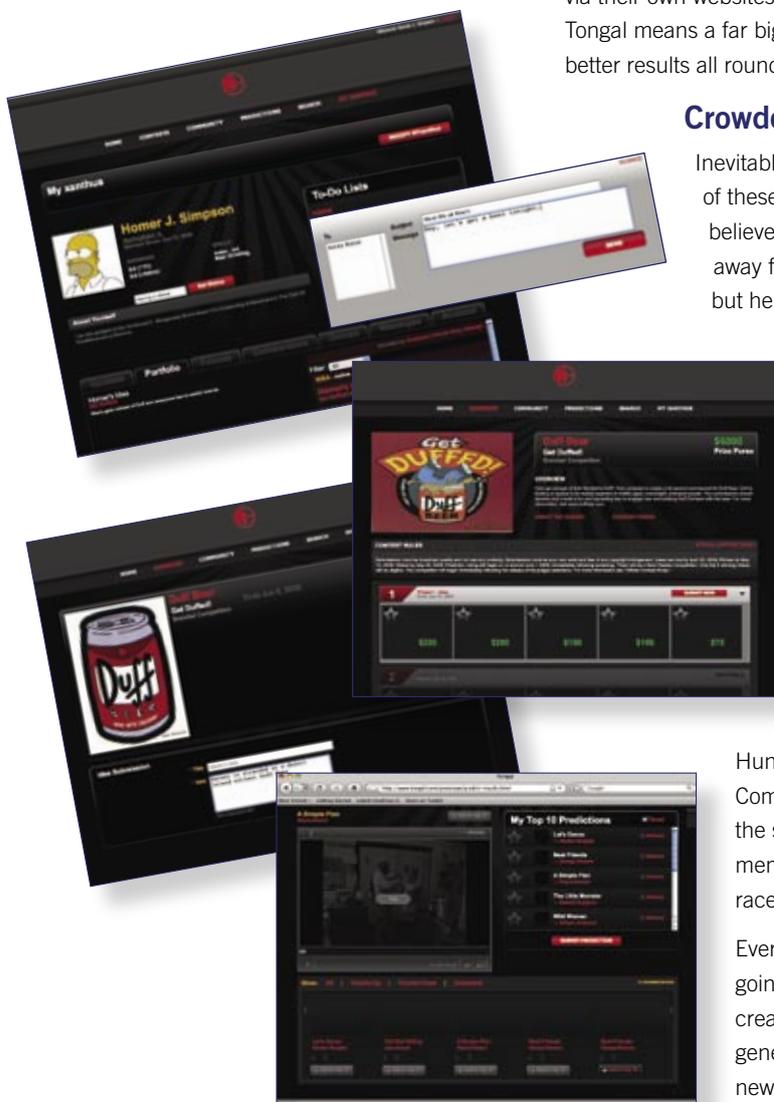
Every component of Tongal has been crowd sourced though TopCoder competitions. Some of these components already existed in TopCoder from previous work, and just needed modification; others were built from scratch.

Hundreds of components have been built in a mere nine months. Competitions have included developing the logo, creating the look of the site, building the website pages, writing the software to manage membership registrations and for members to submit their work, and bug races to identify and resolve any problems.

Every aspect of Tongal is crowdsourced. As DeJulio puts it: “We are going to ‘Tongal’ for Tongal. We are going to run a full Tongal contest to create video advertising for us. This will support the launch and help us generate a groundswell of activity on the site and engage new users and new customers. TopCoder uses its community to manage and develop its website and we plan to use our community to market ourselves.”

Who wants to play?

Both TopCoder and Tongal reflect new ways of doing business, tapping into the talent of the crowd and building interest through play and prizes. But, who does this approach appeal to and what are the implications?



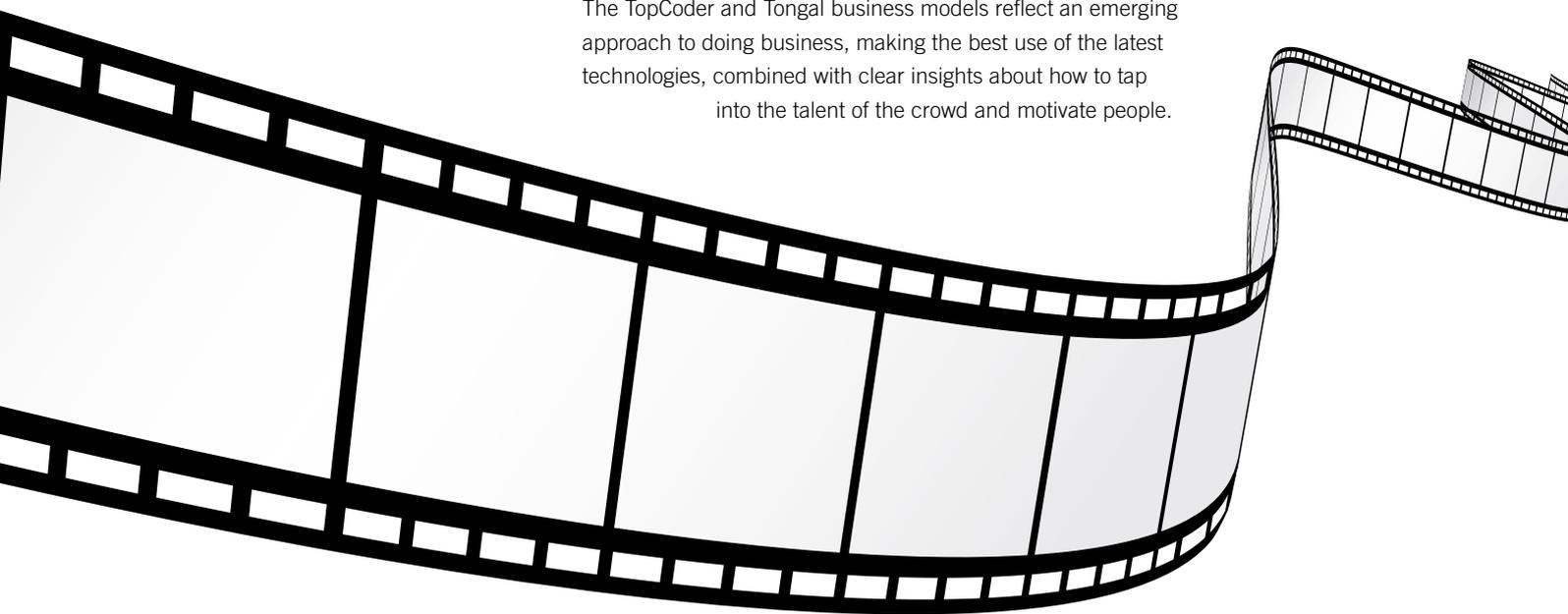
The ad space race: Tongal takes off continued...

“I think crowdsourcing is at its best when play becomes work and vice versa..”

The TopCoder and Tongal experience is, hardly surprisingly, that the approach appeals most to Generation Y. According to Jack Hughes, TopCoder members tend to be young, often college students or graduates. They are ethnically diverse and from many countries; about half are from North America and there are large populations from India, China, Europe – especially East Europe – and South America.

As with the IT world generally, the participants are mostly male, though there are more females on the design side. This gender bias is a limiting factor for Hughes and he has been thinking of how to encourage more women. “It is a challenge. We’ve even thought of having ‘women only’ tournaments, but that isn’t really viable as the community isn’t there. We need to go a step back and get girls in school interested in IT. It needs a cultural shift to make being keen on IT and maths more positive.”

The TopCoder and Tongal business models reflect an emerging approach to doing business, making the best use of the latest technologies, combined with clear insights about how to tap into the talent of the crowd and motivate people.



These approaches were rooted in software development and have spread to other areas of business, particularly where design and creativity (film, music etc) is involved. Jack Hughes believes that this new approach will spread to other businesses. “It will change things but it won’t replace the way we do business. The Internet is all about the ability to connect. Our approach suits those tasks that can be fragmented and those people who want to be given a chance to use their skills and be recognised.”

James DeJulio offers further insights. “I think crowdsourcing is at its best when play becomes work and vice versa. If you can offer people who are enthusiastic about any particular activity a way to turn the activity into work, then I believe that your crowdsourced effort will be met with enthusiasm and ultimately with success. Crowdsourcing really has the potential to revolutionise any type of work or product that is heavily dependent on research and development. In an environment where thousands, or one day, hundreds of thousands of people can collaborate to compound their ideas and work, anything is possible.”

By Jonathan Winter & Allison Hill, Career Innovation.

NEXT ARTICLE: [SWIMMING LESSONS](#) 

Swimming lessons

When the going gets tough, truly agile organisations come into their own. [Julian Birkinshaw](#) and [Stuart Crainer](#) report on the virtues of virtuality.

It is only when the tide goes out you can see who's swimming naked. And so, it is only when times get tough that you see whose business and management models are most robust. The global downturn has exposed the frailties of many organisations and confirmed the strengths of others.

One model that looks increasingly robust in difficult times is the virtual model – organisations that orchestrate the activities of many independent actors rather than owning, employing and controlling lots of people. The major virtue of virtuality is that, if it is done right, it creates truly agile organisations well equipped to negotiate the crumbling markets of recession.

Consider Eden McCallum. The London-based consulting firm began life in 2000. Founders Liann Eden and Dena McCallum wanted to build a consulting firm unencumbered by the usual trappings of a large headquarters, plant-filled atrium and teams of consultants on salaries. “First and foremost we wanted to create a business. So, we looked at the marketplace in a business we knew: management consulting. And we saw a couple of major trends – the maturing of the consulting market, and professional people wanting to take more control of their careers,” says Dena McCallum. “These then led us into our unique business model. And in creating this business, we also ended up with an entirely new organisation model.”



Eden McCallum works with organisations of all shapes and sizes. It has worked with some 200 since 2000 and its turnover is now more than £12 million. All of its projects are delivered by a pool of more than 400 independent consultants. The majority are former employees of big name firms – 44 per cent formerly worked with McKinsey, BCG or Bain. “The consultants set their own constraints. Some don’t want to work during the summer for example and so we work around them,” says Dena McCallum. For around 150 of the consultants Eden McCallum is their major source of work. The remaining 250 offer latent potential, ready to be called on if and when the project demands it.

The end result is flexibility: quality consultants at reasonable prices. “We chose to work with Eden McCallum over two better know competitors because when we compared the teams person for person, we realised that we were getting more experienced resources for a lower price,” says Richard Branson, chairman of the Virgin Group.

While traditional consulting firms have been forced to reduce numbers and work ever harder to attract clients, Eden McCallum has continued to grow during the downturn. It now has an office in Amsterdam and plans another in Germany. “There has undoubtedly been a shift in emphasis,” says Liann Eden. “Previously around 70 per cent of our work could have been categorised as strategy-related. That figure is now around 50 per cent. Instead we are finding greater demand for performance improvement – up from 10 to 25 per cent of our work.”

Swimming lessons continued...

Agile times

In turbulent times the virtual model has a clear plus side for Eden McCallum and its clients.

First, a virtual organisation does not face the training or headcount issues faced by a traditional competitor. As Eden McCallum's work has shifted to a greater emphasis on issues such as procurement and reducing costs, it has simply begun to use more consultants with expertise in that area. "At a time like this there is a premium on experience. Anyone over forty who has worked as a consultant has done cost cutting," notes Liann Eden. There has been no need to re-train legions of consultants. Clearly, the virtual model also means that redundancies are never an issue.

Second, a virtual organisation has very low overhead costs. Freelancers have almost zero tolerance for non value-added activities, so Eden McCallum don't have complicated budgeting and planning systems, and they don't call meetings unless there is a burning need. The net result is a very lean corporate centre.



Third, as it comes with so little baggage, a virtual organisation can actually foster a greater sense of client ownership and involvement. Being small and responsive is reassuring and suggests value for money. "We are not a scary brand name like McKinsey," says Dena McCallum. "But, at the same time, we actually share some of the McKinsey values such as a focus on the client first, long term relationships and trying to solve the right problem. The reality is that clients know the big issues and their industries very well and know the issues they want to solve. Very little is rocket science. It's not about leading edge thinking; it is about asking the right questions and being rigorous."

Clearly, the downturn has also thrown up issues for Eden McCallum. As with any virtual organisation knowing when and where to share information and how much is a constant balancing act. Now it has weekly meetings of its core team to encourage knowledge sharing. It is also continuing to wrestle with the issues raised by its own success. "If you want to become bigger, to scale your activities, you need the systems to underlie it," says Liann Eden. "Our biggest investment was locking all of our people in a room for two hours each and capturing data on all of their projects. Now we capture that information as we go. We were a scrappy organisation. We doubled in size rather than investing in putting in a big system. Now there is a realisation that if you want to manage a network like ours you need a keen sense of the connections between people and projects."

Virtuous growth

Eden McCallum is not alone. Other virtual organisations have continued to grow during the downturn.

TopCoder, the Boston-based software developer, has built a community of more than 200,000 programmers around the world. When a client asks TopCoder to develop software code, the work is chunked into small modules and community members then compete to develop the best code. TopCoder awards a prize to the winning developer for each module, and the pieces are then put together and handed over to the client. TopCoder is still a small company (revenues of \$20 million) but it is growing rapidly, and its unique virtual business model is attracting a lot of interest. Again, flexibility and client responsiveness are key selling points. The unusual prize-based compensation model also helps in a turbulent business environment, because the size of the prize can be adjusted to match supply and demand.

Swimming lessons continued...

Keystone Law, based in London, is another example of a virtual company. Founded by James Knight, it has a very similar business model to Eden McCallum with a network of freelance lawyers, and a small head-office team who find new clients and match supply and demand. “We have removed most of the overhead normally associated with the law firm,” says Knight, “what remains is a team of motivated lawyers who want to work in a more personal, on-going and client-focused way.” Key management principles at Keystone are simplicity and transparency. We believe that sometimes less is more. Less overhead means less emphasis on fees which, in turn, means a more dedicated, personalised and attentive service.”



The risks of virtuality

Of course there are downside risks to virtuality as well. First, it is hard to maintain a vibrant network. Freelancers are free to sell their services to others, so if they don't feel they are getting the interesting work and opportunities they need, they are likely to go elsewhere – with the best ones being the first out the door. So Eden McCallum, TopCoder and Keystone law invest a lot of time with their freelance communities, looking for ways to make the work more interesting and listening to their concerns.

Second, by outsourcing work, virtual firms are giving up control of many of the core competencies that are essential to their offering in the marketplace. Eden McCallum does not employ consultants, and it does not have any proprietary methodologies, the traditional mainstays of any consulting firm. But it has to have sufficient expertise to evaluate the competencies it is buying, so there is an internal group that stays on the leading edge of practice and ensures that the consultants who are hired are genuinely top-quality.

Third, by creating a community of independent experts, virtual firms are potentially creating competitors. In theory, the freelancers who work for Eden McCallum, TopCoder and Keystone Law could sell their services directly to the clients in question. In practice, this won't happen as long as the company continues to do its job well. But there have certainly been cases in other contexts where this has happened. Magna, the Canadian auto parts manufacturer, used to see itself solely as a component manufacturer, a subsupplier, to the likes of GM and Ford. Now it is poised to buy GM's European assets and become a fully-fledged manufacturer .

The virtual model is challenging to manage because it requires constant adaptation as the needs and capabilities of the freelance community evolve. But it has definite benefits in the turbulent business environment we are operating in today. Indeed, there is a growing appreciation of the benefits of flexibility in more conventional organisations. Observes Dena McCallum: “People definitely value flexibility. Companies are learning now that you can actually keep great people and cut costs. Increasingly we are seeing companies using their own alumni as a flexible talent pool to draw on when the peaks return. Our clients want to build stronger teams to do things better when we are out of the downturn. They want to build internal capabilities.”

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“Very little is rocket science. It's not about leading edge thinking; it is about asking the right questions and being rigorous.”

NEXT ARTICLE: [THE HIDDEN COSTS OF OVERBEARING BOSSES](#) 



The hidden costs of overbearing bosses

Employee engagement remains at pitifully low levels. Gary Hamel examines why.

At one time or another, most of us have probably worked for a boss who was self-absorbed, vindictive, or just plain inept – a real-life equivalent to Dunder Mifflin’s Michael Scott. One of my first jobs was for an HR manager who thought the best way to humble a cocky new MBA was to have him spend hours sorting files into alphabetical order. Needless to say, he didn’t get the best out of me or anyone else that worked for him.



As we burrow deeper into the recession, companies around the world are cutting costs in all the usual ways – by reducing headcount, slashing capital budgets, and trimming overheads. All these measures are vital. But in their quest to root out inefficiencies, companies should also be focusing on the hidden but substantial costs of supercilious and overbearing bosses.

A global survey of 90,000 employees by Towers Perrin revealed that only 21 per cent of employees are highly engaged in their work. The other 79 per cent may be physically on the job, but they’ve left their enthusiasm and ingenuity at home. This is a scandalous waste of human capability. It’s also a virtually bottomless reservoir of creative potential that has yet to be tapped.

The fact that so many workers in so many parts of the world are simply going through the motions suggests that the roots of employee alienation are deep and systemic. While in some cases the culprit may be the work itself, (who wants to spend eight hours restocking supermarket shelves?), this explanation is manifestly inadequate. If a grocery retailer like Wegman’s Food Markets can rank alongside a Genentech as one of America’s best places to work, the monotonous rhythms of a hum-drum job can’t be the whole story.

Wet Blankets Inc.

The real damper on employee engagement is the soggy, cold blanket of centralised authority. In most companies, power cascades downwards from the CEO. Not only are employees disenfranchised from most policy decisions, they lack even the power to rebel against egocentric and tyrannical supervisors. When bedeviled by a boss who thwarts initiative, smothers creativity and extinguishes passion, most employees have but two options: suffer in silence or quit.

In a well-functioning democracy, citizens have the option of voting their political masters out of office. Not so in most companies. Nevertheless, organisations here and there have taken steps to make leaders more accountable to the led. HCL Technologies, a progressive Indian IT services company, encourages employees to rate their bosses, and then puts those ratings up online for all to see. Bullies and bunglers have no place to hide. And W.L. Gore, the Delaware-based maker of Gore-Tex and 1,000 other products, lets its highly decentralised teams appoint their own leaders. These are interesting aberrations from the norm, but in most organisations, power is still allocated top-down.

Dispirited and poorly led employees are only one of the baleful side-effects of Politburo power structures. Here are a few others . . .

“The real damper on employee engagement is the soggy, cold blanket of centralised authority.”

The hidden costs of overbearing bosses continued...

When big leaders appoint little leaders, they often do so in their own image. This reduces intellectual diversity and promotes sycophancy. The danger: a collective myopia that desensitises organisations to orthogonal threats and blinds them to new opportunities.

When authority is vested from above, the only way for a manager to retain her privileges and prerogatives is to please her political patrons. Consequently, mid-level bureaucrats often spend a disproportionate amount of time managing upwards – working slavishly to burnish the egos and divine the intentions of those they work for. In most cases, this energy would be better spent attending to the needs of those on the frontlines – the folks who actually create value for the firm's customers.



“When authority is vested from above, the only way for a manager to retain her privileges and prerogatives is to please her political patrons.”

In traditional power settings, key decisions have to be approved by one's superiors, but merely explained to one's subordinates. This reality often tempts managers to ignore the disquieting views of direct reports, and to content themselves with compliance when they should be seeking genuine commitment. The result: employees who can no longer be bothered to bring troublesome truths to light and are unlikely to go the extra mile.

In an ideal world, an individual's institutional power would be correlated perfectly with his or her value-added. In practice, this is seldom the case. Given the reputational costs incurred when a senior executive is forced to remove a hand-picked associate from a key job, corporate leaders are often slow to reassign power, even in the face of widespread doubt about an individual's competence. As a result, there is often a significant lag between declining managerial effectiveness and the reallocation of positional power. These lags are most likely to occur in the upper reaches of management – where the political stakes are highest, and it is here where they exert the greatest drag on organisational performance.

Too little diversity and too much sucking up. Not enough commitment and too many misalignments between power and capability. In highlighting these defects of top-down power structures, my aim is not to challenge the notion of hierarchy, but rather to question the usual means by which power is allocated within hierarchies.

Gary Hamel is co-founder of MLab. This article was taken from his Management 2.0 blog, www.wsj.com/hamel

NEXT ARTICLE: [THE CORRUPTION OF MANAGEMENT](#) 

Innovation-time for executive education

With all the changes underway in the world economy, it is worth taking stock of our current approach to executive education, and to ask whether there are better ways of doing things. [Steve Mostyn](#) believes there are.



In June of 2009, I attended a conference at MIT and listened to a humble and thoughtful presentation by Professor Ed Schein on “Some New Directions on Leadership and Change”. “What’s really new in developing leaders?” I asked. Schein pondered and answered with a question: “Is command and control still alive and well? We have to help convince *them* that it doesn’t really work.”

This conversation at MIT occurred at the start of my enquiry into innovation in executive education. This led me to discussions at Harvard, MIT, Wharton, London Business School, Duke CE, IMD, Lancaster University Management School and related consulting organisations.

Executive education is a crucial lever of change. The executive population of private and public organisations have a profound impact on economic and civic life, more than politicians ever do. And one of the most effective ways of helping leaders in these organisations see the world differently is through executive education and development.

Market realities

The economic crisis that followed the global banking crisis in 2008 had significant repercussions in the world of business schools and executive education in general. The executive education sector was basically on hold through the third quarter of 2008, and still significantly disrupted into 2009 and 2010. The International Consortium for Executive Development Research (ICEDR) commented informally the sector is down by 40–70 per cent in revenue against 2006/2007.

Against this backdrop, some of the most notable trends are:

A move away from one week or longer in-company classroom programmes. The current uncertainty in organisations and subsequent downsizing has led to mass postponement of executive programmes of the traditional one week or multi-location approach. And postponement is often a euphemism for cancellation.

Open programmes under pressure. Open programmes are under even greater pressure as discretionary spending is scrutinised. There are some notable exceptions such as the Harvard Advanced Management programme. This programme is enjoying full enrolment, being used as a vehicle for either displaced executives or as a means of re-grouping for executives wanting to sharpen their collective saws.

London Business School has found a positive market response with its shorter two-day applied “Executive Work Out” programmes on topics such as governance and practical sessions on “Making Strategy Happen”.

The resurgence of e-learning is one of the rare growth stories. The University of Phoenix and Harvard Business Publishing report strong interest in all on-line content. Jack Welch is due to launch a global on-line cohort with Noel Tichy under the auspices of the Jack Welch Management Institute run by Chancellor University, Ohio. The programme aims at a broad manager market including modules on hiring right, motivating right and creating exciting winning organisations. Does this e-learning resurgence reflect a genuine interest to innovate in developing leaders? Or is it a pure cost-based decision on the part of corporations who still want to maintain some internal leadership development curriculum?

“The executive education sector was basically on hold through the third quarter of 2008.”

Innovation-time for executive education continued...

Real follow up required (action learning and coaching). Corporations seek real and genuine follow up and application. The challenge for any organisation is the issue of relevance and change that any planned intervention from a business school is intended to have. Many purchasers of executive development have shared a frustration with the lack of systematic follow through and application. They don't always see the benefits in their own organisations.

Is follow up a core competence of business schools? Currently it is not. But it needs to become one. Understanding how executives learn – spaced repetition and reflection – is a central premise to a robust design and a huge opportunity for business schools to add value.

A rare exception to the norm is the ongoing Advanced Leadership Programme (ALP) programme coordinated by Henry Mintzberg with modules designed by hub institutions Lancaster in the UK; the Institute of Management, Bangalore; and McGill, Canada.



The commoditisation of coaching. Has the executive coaching bubble burst? There is significant price pressure on executive coaching as a specific tool. The emergence of “managed coaching providers”, co-ordinating the myriad of sole trader coaches, is driving price down, yet promising new governance and quality control. Coaching has a key role but its weakness is often the lack of clarity it offers. As Marshall Goldsmith commented to me, when sourcing coaching, most companies don't get to the bottom of the key question: *Coaching for what?*

The move away from HR as the sole purchaser of leadership development. Coupled with the commoditisation of coaching, many corporations are asking their HR teams to partner with purchasing teams to create approved supplier processes, reverse auctions and to achieve cost savings, all in the name of efficiency. Major consulting groups are increasingly offering leadership change practices as one method to develop leadership capability, at the expense of custom programmes from business schools.

The Future

This time of disruption presents an opportunity for innovation in how we develop executives. The opportunities for innovation in executive development cluster around six key areas:

1. Leadership development is not all about leader development. The dominant assumption in many business schools is that leadership development is often focused at an individual-level. Leader development is important. However, a contextual perspective is key – an understanding of organisation design, systems theory and change levers is critical in the development of executives.

Few business schools have any clearly articulated model of leadership, with MIT as a notable exception. The Centre for Creative Leadership (CCL), arguably the leader in individual leader development, has recently responded by developing a new practice focused on organisational leadership capability.

Innovation-time for executive education continued...

2. Experimentation matters. Executives need to create real experiments that can be used in varying degrees of risk from business simulation through to real organisation experiments of motivation, employee and community involvement. Application of innovation approaches, as used by product design companies such as IDEO, prove that a managed experimental approach is a route to winning products.

The resurgent e-learning industry must now invest with radical improvements in user interface and entertainment. The potential of partnership between the UK gaming industry and e-learning providers could create radical learning environments.

“Coaching has a key role but its weakness is often the lack of clarity it offers. As Marshall Goldsmith commented to me, when sourcing coaching, most companies don’t get to the bottom of the key question: Coaching for what? .”

3. Understand power in organisations. Understanding power motives is an underutilised element of leader and leadership development. All organisations are concerned with the distribution of power. A deeper understanding is necessary to help executives steward their actions into self aware, effective action. The research that was initiated in the *Harvard Business Review* classic 1976 article – “Power is the Great Motivator” by David McClelland and David Burnham – will help realise Gary Hamel’s prediction that “highly collaborative systems will outperform organisations characterised by adversarial win-lose relationships”.

4. Beyond corporate responsibility. Executives of the future need a broader understanding and experience of the importance of connectedness with broader society and communities. This is beyond the traditional painting of the local homeless shelter, but a collective understanding and education based on sociological theory and long term projects.

Immersion in the ideas of globalisation is critical for domestic as well as global organisations. Hamel’s call to “create social systems architects” is one consequence of a development process outlined above.

5. Governance – but don’t call it ethics training. The recent banking crisis exposed a huge weakness in board competence and a lack of knowledge of board responsibility. Ethics needs to be taught in an innovative way that engages through the methodology of managing dilemmas. Executives seem to get nervous when faced with the ‘mandatory ethics course’ from corporate centre.

6. Follow up, follow up. Application of the learn, reflect, do cycle is one of the most simple theories of learning yet it appears the least applied. HG Wells once commented: “You have learned something. That always feels at first you have lost something.” Real learning is difficult, demanding and tough work, driven by the human preference to avoid change, yet a systematic application process appears to drive lasting change. Business schools on the whole appear still typified by idea and not application. This is a game changing opportunity.

The six points are not only intended as signposts for innovation in executive development, but as a call for our community of developers and educators to share management innovations we are all working on.

The Management Innovation Lab can be the portal for sharing this good practice to move us forward in reinventing management and how management is taught. I invite you to share your innovations with the MLab community for further experimental application.

Steve Mostyn is the former Head of Executive Development at RBS Group.

NEXT ARTICLE: [NEW HABITS FOR OLD](#) 

New habits for old



Steve Morlidge

A new approach to business forecasting can accelerate the demise of command and control. Steve Morlidge and Steve Player tell you how.

Many millions of people are stuck with the habit of smoking. They know its bad for them and it will eventually kill them, yet they continue. They may have tried to quit many times but they are stuck in a rut. Experience has shown that to successfully break habits you must stop things as well as start doing new things.

The current practice of management exhibits some very bad habits. One key cause is an underlying philosophy of command and control. Managers know it is bad for them and it kills motivation, initiative, flexibility and innovation on a daily basis.



Management thinkers have predicted the demise of command and control many times over the last 50 years, yet it is still with us. Many hope that new technologies can help organisations break free. Yet the command and control habits that have become so engrained in management behaviour are often reinforced by those same new technologies we hoped would bring freedom. Witness how improved computing power has enabled monitoring of managers in UK bank branches who are now tracked against daily targets for sales of financial products. Technical advances are a two-edged sword. Willpower and new technologies on their own will not free us from the bonds of command and control.

What is missing?

As with breaking the nicotine bond we need to replace old habits with new habits. We need to design methodologies that help managers fulfil the purpose of the old routines, but without the damaging side effects.

One field of management methodology that supports command and control and is ripe for change is how we manage the future: forecasting. In order to build agile, forward looking businesses, we need to be able to anticipate and respond to reality as it emerges. We cannot follow the old habit of waiting for the future to happen before we take action. But, outside of short run supply chain management, forecasting has usually been tied to the yoke of traditional budgeting. This involves attempting to predict a future outcome and deploying a range of carrot and stick measures to help bring it about. Even when companies do forecast, they often fall into the trap of using it to drive performance back to the budget even though they know all the assumptions used in determining the budget are wrong.

This traditional predict and comply approach is flawed in at least two respects.

First, it is simply not possible to predict the future. The world is too complex, non linear and dynamic for that. Just ask any group of managers for what they think the price of a barrel of oil will be next year. Most reply that they couldn't tell you what it will be next month much less next year. Yet assumptions must be made for budgets to be fixed.

Also, human beings are blessed with free will, making our behaviour unpredictable, and capable of defeating even the most sophisticated forecasting methodology. What would have happened if Hank Paulson had bailed out Lehmann Brothers? What if AIG had been allowed to fail?

Second, in order to respond effectively to a forecast, we need to have the freedom to take whatever action is appropriate; anticipated or not. Such freedom and flexibility is denied to those operating with traditional budgeting systems.

“In order to build agile, forward looking businesses, we need to be able to anticipate and respond to reality as it emerges.”

New habits for old continued...

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In our recently published book (*Future Ready: How to Master Business Forecasting*), we set out how the process of forecasting needs to change in order to support the kind of innovative management models that many believe we need. Under six headings, we make a series of practical suggestions about what to do and how to do it. Crucially, our discussion includes what we need to stop doing to create space for better habits to form.

1. Mastering purpose

The purpose of forecasting is not to predict the future. The purpose is to anticipate what might happen, given a reasonable set of assumptions about the world. Armed with this information management can take decisions, either to help bring that future about, or to change it to one that is more desirable. To achieve this we should:

Stop using budgeting processes and accounting data structures to produce forecasts and

Start recognising the crucial distinction between a target (what we would like to happen) and a forecast (what we think will happen) as well as the necessary and inevitable existence of gaps between the two. Ensure forecasts are actionable, with less but different detail to that used for budgeting. In addition, design forecast processes around the decisions that they support.

2. Mastering time

Forecasts are only necessary to the extent that we cannot react fast enough to events as they happen. That is why super tankers need radar but speedboats do not. Forecast processes therefore need to be designed around decision making lead times, and the nature and rate of change in the environment. Moreover, they need to be available in good time for decision-making, which might not coincide with accounting periods. So we need to:

Stop producing forecasts that extend no further than year end and according to accounting timetables, and

Start producing rolling forecasts, with a consistent forecast horizon based on the lead time; how long it takes for decisions to be enacted. Update forecasts based on the rate of change of variables critical to the decision making process.

3. Mastering models

Forecasts are the output of some form of a model of the world. These models may be statistical or driver-based, but they are often held in the heads of forecasters: judgemental models.

There is no mathematical silver bullet; forecasts will always involve the use of judgement in some way, but this always carries the risk of bias. Model choice needs to take account of the relative strengths and weaknesses of the different approaches.

Stop relying exclusively on one approach to forecasting and

Start using different types of models in combination, exploiting their relative strengths and mitigating their weaknesses. Statistical and mathematical approaches are well suited to forecasting trends, judgmental approaches are required to forecast discontinuities, such as the impact of decisions designed to change the trajectory of performance.

4. Mastering measurement

Given that businesses are never stable for long, the performance of even the best forecasts will deteriorate unpredictably without some form of feedback on their performance. Continuous measurement is needed to calibrate forecast models to take account of shifts in behaviour, and to improve them through a process of learning. In business, forecast performance is often not measured at all, and when it is, the wrong techniques and processes are used.

New habits for old continued...

“The command and control model that our generation of managers were bequeathed is past its sell by date.”

Stop relying on informal approaches to the assessment of forecast quality and

Start routine and frequent measurement of forecast error over short time horizons. Focus on detecting bias, rather than attempting to measure forecast accuracy.

5. Mastering risk

Perfect prediction is impossible, so forecast processes should include the generation of alternative potential outcomes as an input into generating an appropriate range of responses to the future and to promote situational awareness. Forecasts need to be unbiased with acceptable variation rather than absolutely accurate. It is important to differentiate between risk (unavoidable variation around a forecast) and uncertainty (structural breaks in behaviour).

Stop exclusively forecasting single point outcomes, or attempting to assess risk mechanistically and

Start incorporating the assessment of alternative potential outcomes into the routine forecast process. Post lookouts and build contingency plans so that your organisation is able to respond quickly and effectively to changes in circumstances.

6. Mastering process

Reliable forecasts are the result of the conscious design and disciplined operation of a routine process, not intuition or ad hoc analyses. We need to focus on ensuring forecasts are delivered cost-effectively, which may not mean for the lowest cost and that they are aligned with other sources of forecast information, not in competition with it.

Stop treating forecasting as an optional exercise and

Start building forecasting into the fabric of your management processes.

The Forecast for forecasting

The command and control model that our generation of managers were bequeathed is past its sell by date. It is the product of the early 20th century worldview: one of machines and regimentation. However, this paradigm would never have taken hold without enabling social technologies such as budgeting and the Du Pont control methodology used to such great effect at General Motors under Alfred Sloan, and it will be difficult to dislodge until we create methodologies to replace them.

The world in which we live is more open, dynamic and participative than that of Sloan and his ilk. Many industrial age giants have already perished, but we need to create organisations that can thrive, not simply survive, in this environment. The physical technology needed to bring this about has emerged over the last decade. The last piece of the jigsaw is a shift in social technology, in particular one that facilitates a move away from prediction and compliance to anticipation and adaptation. We have shown how we can do this, and in the process help create healthy, resilient and more productive organisations.

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Jeremy Clare

More than words

Face-to-face conversations have unrivalled power. Yet, technology can build a barrier to this most powerful and intimate of communication channels. **Jeremy Clare** talks the talk.

I met a prospective new coaching client recently over coffee in a Henley cafe. She could easily have sent me a text, an email and an attached CV and “told” me all about herself and her career story. We could then have had a long phone call to start the coaching process. We could have saved petrol, travelling time and the price of two lattes!

And yet in that first meeting there were more than words. There were also smiles and tears, grimaces and silences, raised eyebrows and lowered voices. None of these could have been sent electronically. They were highly significant in our communication, and also in my own understanding of the client’s issues.

Not another meeting

Something is left out of a communication when it is reduced simply to words. We sometimes need *more* than words. But, how many times have you heard: “We don’t need to meet. Please just send me an email/arrange a teleconference/text me/copy everyone in/leave a message on my voicemail”?

Innovative companies, including Gore, Happy and Asda, have been highlighted by MLab. Another very well-studied company is Semco, the Brazilian manufacturing company led by Ricardo Semler (author of *Maverick* and *The Seven Day Weekend*). What links these organisations is the importance of a face-to-face style of management and the prevalence of meeting in person, maybe not formally but certainly frequently. For example:

- Gore restricts the size of its offices/manufacturing sites to 100 in order to preserve interpersonal relationships and restrict the spatial span of leadership and management control.
- Happy, a small company by comparison, has a flat management structure and encourages employees to talk to one another and resolve issues face-to-face wherever possible. Respect for individuals, their preferences and ideas, is at the heart of the training company’s ethos.
- The British supermarket chain Asda has moved, over the last nine years, from near bankruptcy to become highly successful. It uses daily pre-shift briefings for all employees, face-to-face in small teams. People talk to each other... and listen. These factual updates could obviously be posted on a notice board or sent to individuals via text – but that is not what Asda wants.
- Semco champions small self-directed working teams at its factories, encouraging local decision-making processes wherever possible.

What exactly is the problem?

Ever-increasing speed and the complexity of new communications technology threatens the human dimension of communication as exemplified by these four organisations. Yet, many people, most dangerously middle management and senior executives, seem oblivious to the threat.

The problem exhibits itself in many guises. A British judge recently lamented that jury trials are likely to be threatened in the future because jurors will, over time, become unable to listen effectively to evidence. The judge argued that largely visual entertainment, computer-generated games, new faster communications, social networks and mobile phone technology have combined to produce very poor listeners. The legal system requires good listeners who understand the spoken word well.

More than words continued...



“The drive for faster communications and more sophisticated 24/7 devices is not customer (people) driven, it is driven by market share and competition.”

The reality is that people enjoy and benefit from meeting, conversing and just being together. Respect is implied in listening to one another's ideas and concerns. Courtesies, moods, caution, anticipation, attitude, affection and a myriad of other subtle messages are sent and received when people talk face-to-face. Such messages are picked up – sometimes unwittingly – by our human antennae.

So if we agree, even in part, that we are in danger of losing something valuable... why do we send emails to colleagues sitting in an office a short distance away? Isn't there a management responsibility not to encourage expediency of that sort, but rather to foster the renovation of personal contact wherever possible?

Gains and losses

There are numerous further justifications applicable at a global level, but remember that very big companies and multinational corporate life do not constitute the majority of business in human terms, only financial. Most people work in much smaller environments. The drive for faster communications and more sophisticated 24/7 devices is not customer (people) driven, it is driven by market share and competition. Too often the Technology 2.0 tail is wagging the Management 1.0 dog, and Generation Y are cooperating because many of them have known nothing different.

Consider one straightforward and true example. Because it is now so easy, it is common practice with emails to copy everyone in or “reply all”. This transfers the task of sorting out who really needs to know from the sender, who can do it quickly once for all with some thought, to the many receivers who get clogged inboxes as a result. Baby boomers know that there used to be a better way, Generations X and Y may not. A young British female executive, working for an American-owned business which deals in banking software, returned from her honeymoon to an inbox of 1500 messages. Being from Generation X she didn't complain, but she did take the best part of a week to sort them all out! Is that a good use of management's time? More importantly, what sort of management has allowed such a dire case of corporate e-incontinence to develop?

No-one seems to be able to devise, teach or agree a protocol to regulate effectively on such an issue. We all hope it will get better; but it keeps getting worse!

Simple wisdom

If our guiding principle is to use as much communication technology as possible, to communicate as fast as possible, to see as little as possible of one another in favour of sending cheap and easy messages – then we are fine. Let's keep running!

If, however, our guiding principle is that good working relationships are foundational, then we ought to see each technological innovation not in the light of how quick it is or how sophisticated the device, but how it affects our working relationships. If we wanted to really foster good working relationships we would see very different management and decision-making processes starting to form. Indeed, they already exist, but require major renovation.

The ability to communicate effectively both in person and as a person, is fundamental to sustainable good business (using good in its broadest and deepest sense). But, with current trends, the arts of conversation, dialogue, informed debate and cooperative decision-making may eventually need to be understood afresh and then re-learned.

Jeremy Clare is founder of the consulting firm “Whatever Next?” (www.whatevernext.eu.com). He is also a facilitator and coach.

Management's next frontier: self-actualisation through work

Today's age holds the secret to an innate need we have been searching for through the ages: the ability *to know* – to know information not only about ourselves, the people we deal with, the everyday happenings in our lives, but also to know the meaning and purpose of our existence. Pujan Roka examines the implications.



Pujan Roka

Easy access to information is leading to what some scholars call the Age of Wisdom. This new age is all about the intelligent and healthy choices we could make by using the vast pool of information accessible to us. The ability to make intelligent choices is transforming our world to higher levels of consciousness and conscience.

How is the topic of life's meaning and purpose associated with management practices? This is best illustrated by looking at one of the best known models: Maslow's Hierarchy of Needs. Management practices have addressed all levels of the needs hierarchy except one. The basic needs, such as compensation and perks, have been taken care of. Other benefits, such as retirement and insurance, provide safety needs. Professional development and networking provide social needs. Career development and upward mobility provide self-esteem needs (to some extent). However, the need for self-actualisation is yet to be addressed. The need for meaning and purpose is the next riddle for management to solve.

How has the Information Age brought us closer to self-actualisation?

We know far more about ourselves:	Our consciousness has risen to newer heights. Take webmd.com for example: We can easily understand some of our illnesses by using this web site. We are no longer dependent on medical professionals to understand some of the common illnesses. Many web enabled applications, such as Amazon.com's, can effectively predict what we may like – more than we may actually realise without using it.
We know far more about people around us:	Telecommunication services and social networking have helped us connect with the people around us in real time. You know what's in people's minds by simply following their Tweets.
We know far more about everyday happenings:	The Internet has helped news and information travel around the world in real time. It has given us freedom to access any type of information. Imagine your car breaking down; Only a few years ago, car mechanics would have had an advantage over you. Now you can Google any car problem and find a do-it-yourself guide or even find a quote for the fix.

“Traditional business goals that were once viewed in terms of profitability are now being re-evaluated from a social liability perspective.”

Management and self-actualisation

How can we understand meaning and purpose and self-actualisation through everyday work? If your work is non-profit, it is much easier to find meaning and purpose through charitable means. But is this possible if your work is for profit?

The majority of non-profit organizations exist to serve others. Most for-profit organizations do not exist to serve others. They cannot exist without profits and therein lies the fundamental problem that prevents their employees from pursuing self-actualisation, meaning and purpose. As workers, customers, and stockholders become more conscious and conscientious of the social and environmental liabilities of doing business, organisations will be required to view profitability in a totally different perspective. Is my business making difference in people's lives?

Management's next frontier: self-actualisation through work continued...

“Many organisations are failing to serve their customers, because their primary focus is profit or self-service, and not the service of others or customers.”

Are we making a positive contribution to society? Or are we causing more environmental and social issues than the value we are providing and the profit we are generating? Each organisation will have to factor these questions into their profitability equation.

The rise of social enterprises is enforcing the message that service and profits need to go together. It is inducing a change in the way organisations view service and, at the same time, it is redefining profits in terms of social and environmental liabilities. Energy or energy-related sectors are prime examples of how social entrepreneurship is transforming traditional businesses. Consumers are getting more conscious about energy efficient utilities and products – from electronic devices to vehicles. Many businesses are creating product portfolios that cater to a new market segment – the poor and the financially challenged – that was never considered viable before. Tata's \$2500 car and microcredit firms like Zopa are some leading examples of how businesses can look for profits by serving the bottom of the socio-economic pyramid.

Beyond profit

Many businesses have realized that “green” and “social” are no longer fashionable initiatives; customers are demanding such products and services.

This transformation is also coercing them into thinking about the meaning and purpose of their everyday business. Traditional business goals that were once viewed in terms of profitability are now being re-evaluated from a social liability perspective.

Deriving profits while meeting social obligations is also necessitating a redefinition of service. This is because service as we know it today stands in opposition to the direction the business world is heading with regard to social liabilities. Today, service remains focused mostly on customer satisfaction once a product or service is purchased. In a typical organisation, customer service does not translate to “service” as understood from its original definition—work done to benefit others. Many organisations are failing to serve their customers, because their primary focus is profit or self-service, and not the service of others or customers. Bureaucracy and personal and political agendas prevent organisations and their workers to become truly service oriented.

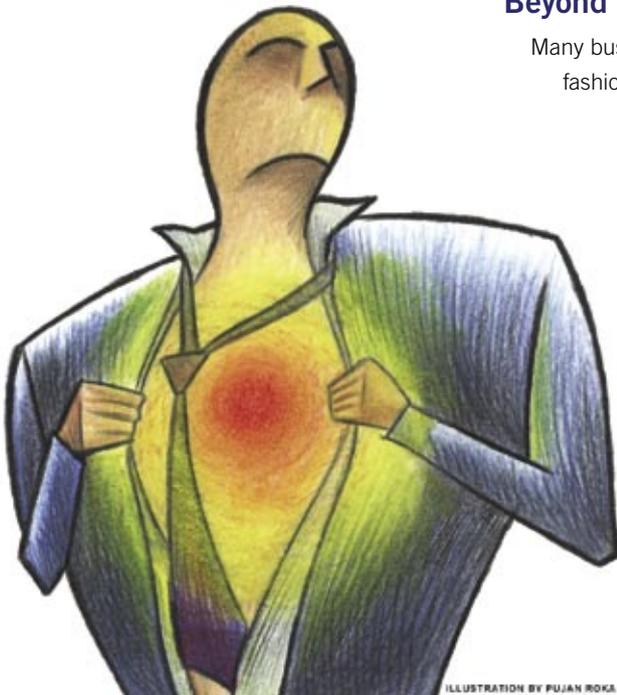


ILLUSTRATION BY PUJAN ROKA

If the next goal of management is to define true service, and find meaning, purpose and self-actualisation for their employees, then it is important to find ways to fight self-centredness in organisations. The solution to this is not as elusive as it may sound. If structures and hierarchies in organisations are de-emphasised or their rigidity obliterated, then self-centredness will also be eliminated or its essence greatly diminished. If rewards and incentives are built around the goals of serving others – whether customers, co-workers, or shareholders – then they will also give a new meaning to service. Although these measures are still insufficient to help us to understand the meaning and purpose of our own existence, they will at least help us to take the first steps in understanding the meaning and purpose of our work.

Pujan Roka is the author of Karmic, Inc. and Bhagavad Gita on Effective Leadership. He can be reached at pujanroka.com.

NEXT ARTICLE: [OUT AND ABOUT WITH MLAB](#) 

Out and about with MLab

Upcoming events

HR Business Directors Summit

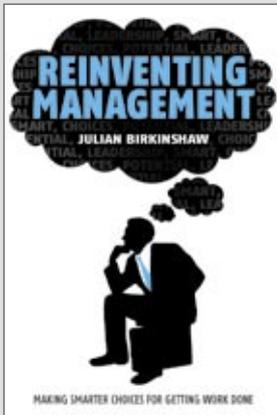
19-20 January 2010 – ICC Birmingham, UK

Julian Birkinshaw will be a keynote speaker at the 8th Annual European Business Summit, organized by the World Trade Group. For more details, please visit the website at <http://www.wtgevents.com/>

World Economic Forum Annual Meeting

27-31 January 2010 – Davos-Klosters, Switzerland

Gary Hamel and Julian Birkinshaw will be leading an IdeaLab session at the WEF annual meeting – Improve the State of the World: Rethink, Redesign, Rebuild. For information on WEF, please visit the website at <http://www.weforum.org/en/index.htm>. (This is not an open event)



Reinventing Management: Smarter Choices for Getting Work Done

Julian Birkinshaw's book, "Reinventing Management: Smarter Choices for Getting Work Done" will be published on 5 March 2010. Details of the launch event in London will be provided in the next issue of Labnotes.

Find out more about MLab's events.

Visit the website for regular updates at:

www.managementlab.org



If you would like to know more or have general enquiries about any MLab events please the MLab website or contact: Rosie Robertson - rrobertson@london.edu or Julian Birkinshaw - jbirkinshaw@london.edu

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The MLab connection

How to become engaged with MLab

MLab is unique. It brings together some of the world's leading business thinkers, academics, executives, institutions and organisations.

"There are a number of ways in which organisations or individuals can become engaged with MLab," says research director Julian Birkinshaw.

Founding status is open to corporations and individuals who are passionate about realising MLab's mission. Support through a seed money grant or a gift-in-kind allows us to publicly acknowledge your commitment and provide you access to leading edge management thinking and practice.

Participating partners work intimately with MLab's internationally renowned faculty and staff in generating a number of bold management innovations relevant to your organisation's goals. If the bottleneck to sustainable competitive advantage is a lack of management innovation then investing in MLab's unique JAM workshop process help address these issues.

MLab also includes **research partners**. As well as action research with participating partners, MLab undertakes more traditional academic-based research projects around a number of pre-defined challenges directly linked to management practices. These range from how to unleash human capability by making organisations fit for human beings through to making innovation everyone's job. Sponsorship of a research topic will provide direct access to leading edge management practice in your chosen field.

MLab also involves individual **thought-leaders as partners**. If you are an inspired management innovator working in academia or in industry join the debate on Gary Hamel's blog at: <http://discussionleader.hbsp.com/hamel>.

Labnotes

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