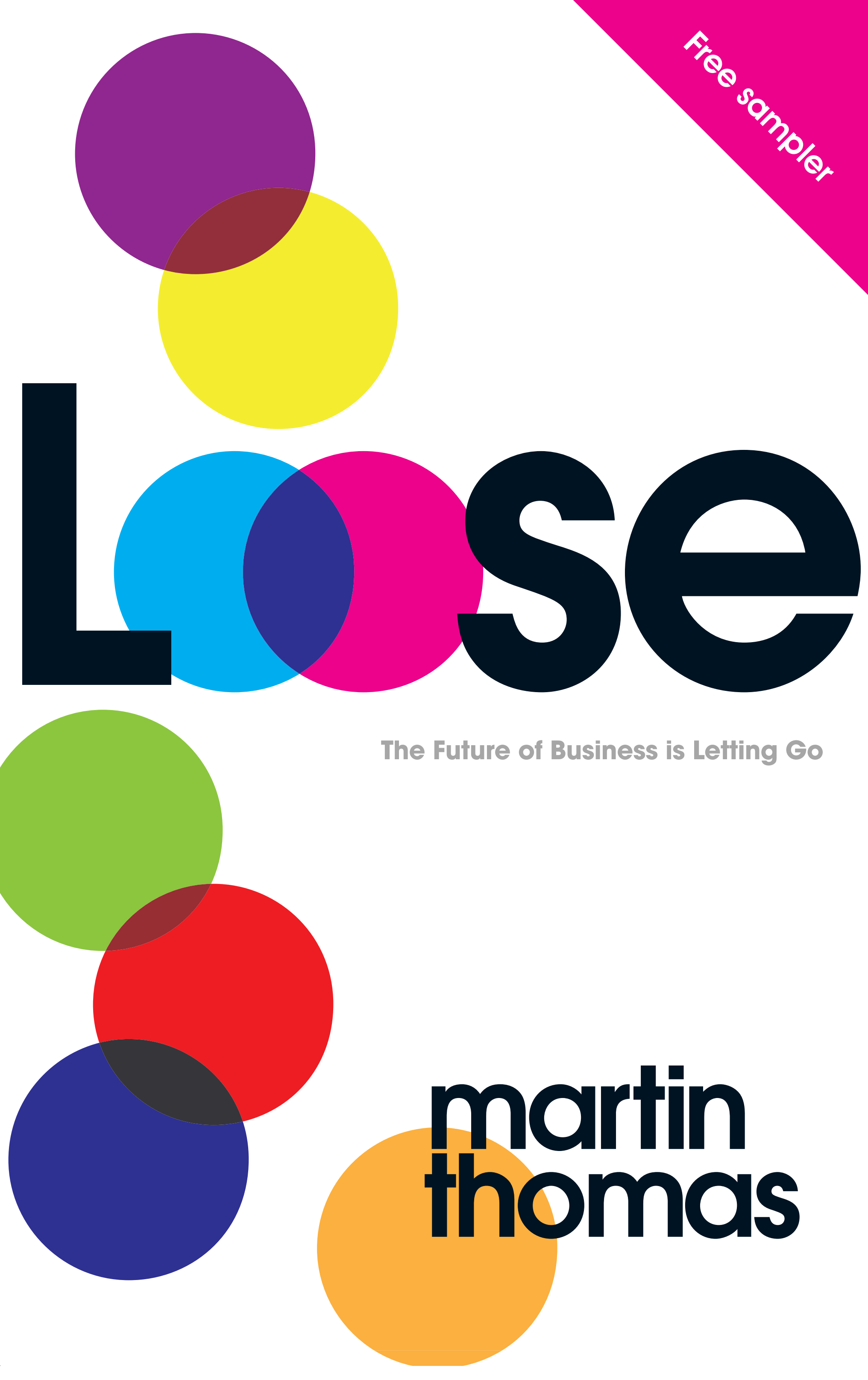

Free sampler

Loose

The Future of Business is Letting Go

martin
thomas

This book is largely inspired by conversations I had following the publication of my first book, which I co-wrote with Edelman's David Brain in 2008. David continued to be a great source of ideas, anecdotes and quotes, as were the always enthusiastic David Butter, Robert Campbell at Beta, Christian Barnett and Stephen Bell at CPB, Alex Batchelor and John Kearon at BrainJuicer, Dominic Stinton at VCCP, Alan Mitchell at Ctrl-shift, Peter Fisk, Tom Rowley at Pipeline, Ivan Pollard, Richard Brown at Cognosis, Robert Phillips at Edelman, James Thellusson at Glasshouse, Richard Rawlins at Finn, Jane Ferguson and Marshall Dawson. I would also like to thank my agent (I have always wanted to say that), Simon Benham at MayerBenham and John Moseley at Headline, who thankfully saw something in my loosely formed idea. Finally and most importantly, I would like to thank the three most important people in my life, Alison, Daniel and Louis, who lived through the ups and downs of the writing process, contributed many ideas and never once suggested that I should get a proper job. This book is for all of you.

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CHAPTER 1

INTRODUCTION

BELGIAN TRAFFIC PLANNER Hans Monderman was not afraid to challenge conventional thinking. When we drive our cars we are used to travelling within clearly demarcated lanes and expect our movements to be controlled by an array of signs and traffic lights. Motorists, cyclists and pedestrians are kept to separate parts of the highway. We find comfort in order. Monderman challenged this convention. He argued that traffic lights, signs and road markings actually made roads less safe because they took away people's ability to think for themselves and that by removing them, motorists, cyclists and pedestrians would be encouraged to co-exist more happily and safely. He was a leader of the Shared Space movement, also described as 'designing for negotiation', which is beginning to find more and more advocates in traffic management departments around the world. He pioneered his thinking in the Dutch town of Drachten, where 12 of the 15 sets of traffic lights were removed. The results were remarkable. The number of accidents in Drachten fell from an average of 8.3 per year in 2003 to just one a year in 2004 and 2005. There are still the occasional collisions, but Monderman, in his typically contrarian style, saw these as a good thing: 'We want small accidents, in order to prevent serious ones in which people get hurt.'[1] Simon Jenkins, writing in the *Guardian*, quipped that 'the chief danger [on the roads in Drachten] is from crowds of foreign experts watching incredulously as traffic merges with pedestrians and separates, unaided by robots'.[2]

The Shared Space concept is safer because, to its users, it appears (paradoxically) to be more dangerous. Monderman argued that it required the driver to take responsibility for their own risk, rather than abdicate responsibility to government or other forms of authority. It also challenges the broadly accepted hierarchy on our streets, forcing motorists to negotiate with other road users rather than assume that they always have priority. Drivers entering a shared space zone tend to slow down and start responding directly to the behaviour of other road users, rather than slavishly taking direction from signs and traffic lights. For example, there is evidence that drivers are more likely to slow down if they see children actually playing in the street, than if they simply see a sign saying 'Danger Children'. Eye contact with fellow road users suddenly becomes more important and drivers start taking more interest in what is happening around them than the DJ's chatter on the car radio. Monderman compared his philosophy of traffic management to the way that skaters behave on a crowded ice rink: 'Skaters work out things for themselves and it works wonderfully well. I am not an anarchist, but I don't like rules which are ineffective and street furniture tells people how to behave.'[3]

Monderman, who died in 2008, aged only 62, wasn't a management guru or a highly paid business consultant, but he understood human behaviour and, most importantly, was prepared to question our naive faith in the necessity of structure and clearly defined boundaries. He was prepared to challenge ‘rules which are ineffective’, even if this brought him into conflict with received wisdom. His philosophy has been enthusiastically taken up by many traffic-management experts around the world, including Ben Hamilton-Baillie in the UK, whose Bristol-based practice has worked on a large number of shared space schemes. These have included a project in the Royal Borough of Kensington and Chelsea, in which the removal of railings and many of the signs and posts cluttering the borough’s streets reduced the number of pedestrian casualties by three times the London average. According to Hamilton-Baillie, railings, despite appearing to protect pedestrians from the onrushing traffic, actually ‘encourage people on both sides [of them] to pay less attention to each other, which is potentially dangerous’.[4]

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[1] Quoted in *Daily Telegraph*, 4 November 2006.

[2] *Guardian*, 29 February 2008.

[3] Quoted in *Daily Telegraph*, 4 November 2006.

The shared space concept does have its critics and even advocates, such as Hamilton-Baillie, accept that it can only work in the right locations. But it has forced the traffic-management and planning experts to revisit many of their widely held beliefs. Graeme Swinburne, Kensington’s director of transport, spoke for many of his peers when admitting that ‘Engineers tend to be risk-averse; these guidelines [issued by the Institution of Civil Engineers to support the principle of removing railings] have reassured us that we can challenge the established thinking.’[5] Traffic management has been the epitome of tight thinking, but the increased willingness to consider shared space ideas suggests that things are beginning to loosen up. Even the government has been forced to admit recently that speed cameras may not be as effective in reducing serious accidents as it had previously claimed. Some reports have gone so far as to suggest that the rate of decline in the number of accidents actually slowed down after the introduction of cameras.[6]

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[4] *The Times*, 8 April 2006.

[5] *The Times*, 8 April 2006.

Pope Benedict XVI is not a name you expect to find in business books. Despite what was generally considered to be a successful visit to the UK, he remains mired in the ongoing controversy about the church's handling of child-abuse allegations. Like all of his predecessors he is often accused of leading an institution that struggles to adapt to the modern world. Nevertheless, there are signs that things are loosening up in the Vatican, particularly when it comes to its willingness to embrace new media technologies. The Pope may not be the most charismatic communicator, but his YouTube broadcasts, translated into 27 languages, are an interesting attempt to connect him with what he describes as the global digital generation, even if, unlike Barack Obama, his message is more a case of 'No you can't', rather than 'Yes you can'. He was the first major religious leader to call for the use of social media to engage the faithful and recruit new converts. In a speech on the role of digital communications to mark the 44th World Communications Day,[7] he called upon the priesthood to 'make astute use of the unique possibilities offered by modern communications' and challenged them to use 'the latest generation of audiovisual resources (images, videos, animated features, blogs, websites) which, alongside traditional means, can open up broad new vistas for dialogue, evangelization and catechesis'.

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[6] *Speeding Fines*: report commissioned by the Taxpayers' Alliance and Drivers' Alliance, published 9 July 2010.

[7] Speech given to mark the 44th World Communications Day – 'The Priest and Pastoral Ministry in a Digital World: New Media at the Service of the Word', 16 May 2010.

The views expressed by the man responsible for managing the Pope's public relations, Father Federico Lombardi, are equally refreshing. Like the Pope, Lombardi has been accused of being out of touch with contemporary attitudes, but in a speech in London he sounded like a model new age marketer, claiming that, 'In a world such as ours, we would be deluding ourselves if we thought that communication can always be controlled, or that it can always be conducted smoothly and as a matter of course.' He then went on to say that, 'It is a mistake to think we ought to avoid debate', which is a pretty bold statement coming from an institution wedded historically to certainty and the primacy of its viewpoint. Debating Church doctrine would have landed you in front of the Inquisition during an earlier age. Some religious commentators have described how the Church's willingness to embrace new media – and the new expectations that come with it – could be as significant as its willingness to embrace Gutenberg's printing press in the 1450s. The rapid adoption of the printing press in Europe's intellectual centres during the second half of the fifteenth century – which could be considered the first information revolution – forced the Church to respond to new ideas and openly debate fundamental parts of its doctrine. It ultimately played a key role in the emergence of the Protestant Reformation. The Church's use of social media is unlikely to have such profound effects, but there are signs that it is encouraging a new spirit of openness and dialogue, particularly at a local level, where many clergy and congregations have enthusiastically embraced the Pope's call to leverage the power of modern communications techniques. The Catholic Church simply doesn't have the option, if it is to truly embrace these new media channels, of not allowing debate or the occasional disagreement.

Staying within the world of religion, one of the defining ideological battles of the 21st century has been between Islamic fundamentalism and Western liberalism. But this is not simply a battle between rival theologies. We are also witnessing the clash of two very different organizational models – that of the state-controlled intelligence and military services and the loose, cellular structure of Al-Qaeda. Writing in the *Middle East Quarterly*, defence experts Daveed Gartenstein-Ross and Kyle Dabruzzi, described the merits of this structure: 'Bureaucratic intelligence agencies have trouble keeping up with cells that are disconnected and on the move, making it almost impossible to uproot an entire decentralized network. Regional terrorist groups can also act with greater spontaneity without the need to coordinate their operations through hierarchical channels.'[8]

In many respects, Al-Qaeda is the perfect loose organizational model for the modern world, which is somewhat ironic when you consider how much of its theology and political language sounds as though it comes from the Middle Ages. Douglas Frantz, in the *Los Angeles Times*, described it as 'more of an ideology than an organization'.[9] It adheres to a broad set of principles and objectives determined by a small leadership team, with Osama Bin-Laden at its head, but it operates through a complex network of semi-autonomous units or cells. Decision-making is dispersed and there are few connections between the different cells. It has also evolved its behaviour, if not its theology, in response to changing circumstances. US Secretary of State Hillary Clinton has described how it has become 'more creative, more flexible and more agile',[10] which is why, despite the military and financial muscle of the United States and its partners, Al-Qaeda continues to threaten our global security.

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[8] Daveed Gartenstein-Ross and Kyle Dabruzzi, 'Is Al-Qaeda's Central Leadership Still Relevant?', *Middle East Quarterly*, Spring 2008.

[9] *Los Angeles Times*, 26 September 2004.

In contrast, the CIA, despite all of its technological and intellectual firepower, appears to be struggling to come to terms with the new world. In a Google-sponsored panel discussion, CIA analyst Sean Dennehy said that the organization was finding it a challenge to adapt to the idea of sharing information through blogs and social networks and commented that, 'Trying to implement these tools in the intelligence community is basically like telling people that their parents raised them wrong.'[11] Speaking at the same event, Lt Col. Patrick Michaelis, one of the people responsible for helping to develop the US Army's online forum, which enables soldiers to share intelligence while in combat, admitted that, 'In essence we're still culturally a hierarchy when it comes to transferring knowledge and data. It is always a challenge to connect the bottom to the top.'

The merits of the loose, decentralized Al-Qaeda structure, and, in particular, its ability to survive frequent attempts to destroy it, are not lost on Andrew Haldane, Executive Director for Financial Stability at the Bank of England. He has described how the global banking industry would do well to copy the terrorist group's modular structure if it is to avoid future crises: 'A series of decentralised cells, loosely bonded, make infiltration of the entire Al-Qaeda network extremely unlikely. If any one cell is incapacitated, the likelihood of this undermining the operations of other cells is severely reduced. That, of course, is precisely why Al-Qaeda has chosen this organisational form. Al-Qaeda is a prime example of modularity and its effects in strengthening systemic resilience.'[12] Haldane made these remarks in a speech given in Hong Kong. I am not sure they would have gone down so well on Wall Street, but it underlines how Al-Qaeda is defined as much by its organizational model as by its theology.

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[10] Interviewed on CNN's *State of the Union*, 7 February 2010.

[11] Quoted by *Brand Republic*, 16 June 2009.

The future lies with the contrarian theories of Monderman and the newly discovered laissez-faire attitudes expressed by Lombardi in the Vatican – which I would characterize as loose thinking – combined with the type of loose organizational model deployed by Al-Qaeda. I am conscious that 'loose' is a challenging word and comes with many negative connotations. For many business experts it appears to espouse chaos rather than structure, solid organization and the benefit of accumulated knowledge. It sounds unprofessional and dangerously informal; an excuse to avoid due process, careful analysis and rigorous thought. It may be fine for a freewheeling, technology start-up in Silicon Valley, but how can it make sense for major corporations, employing tens of thousands of people and responsible for satisfying the demands of millions of global customers, or for governments trying to balance debt reduction with escalating social problems? A business such as Google, bankrolled by vast advertising revenues, can espouse the concept of 'thriving on the edge of chaos',[13] indulge the creative whims of its employees and talk about the importance of failure as a learning process, but how many other businesses can afford this luxury? By the time you reach the end of this book, my hope is that this question no longer applies. By describing how looser ways of thinking and operating are beginning to pervade even the largest and most complex institutions, from global corporations to government departments, my aim is to give you the confidence and the ammunition to help you and your colleagues loosen up.

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[12] Speaking at the Institute of Regulation & Risk, North Asia (IRRNA), in Hong Kong, 30 March 2010.

Agility, flexibility, a willingness to exercise judgement and an ability to improvise will become the defining characteristics of successful institutions in the next decades. So fight the instinct to solve every problem through rules and regulations. Ask yourself whether the decision to impose new compliance and auditing procedures is really reflecting a lack of trust in your workforce. Recognize the limitations of long-term planning and the painfully slow nature of most internal decision-making processes. Embrace the need to operate in real time and make the organizational and cultural changes necessary to help you achieve it. Invest in building a strong, self-sustaining organizational culture rather than in yet more process and bureaucracy. The future is loose, messy and chaotic: I hope you'll embrace it.

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[13] Description of Google used by *Fortune* magazine's Adam Lashinsky (2 October 2006).

1.1 THE NEW AGE OF LOOSE AND WHY TIGHT DOESN'T WORK

> '*We must embrace a model of leadership that is loose, open and perpetually innovative.*'
>
> Tom Peters[14]

The need to adopt a looser or more flexible approach to the management of institutions is not a new idea. It has has been championed by many leading business thinkers, from Rosabeth Moss Kanter in *When Giants Learn to Dance* to Richard Pascale in *Surfing the Edge of Chaos*. As far back as 1959, Charles Lindblom was challenging the primacy of rational thinking in his oxymoronic article, 'The Science of "Muddling Through" '. Tom Peters, the business author and self-proclaimed professional agitator[15] has virtually made a career of it. His seminal book, *In Search of Excellence*,[16] which he co-wrote with Robert Waterman in 1982, was largely inspired by a desire to prove that the highly systematized approach, adopted by most corporations at the time, was counterproductive and that there was a need to free business from what he termed 'the tyranny of the bean counters'.

The ideas remain the same, but I would argue that the circumstances in which we now live have made them even more relevant. New patterns of consumer behaviour and changing expectations, new technology, combined with a bewilderingly complex social, cultural, economic, political and environmental landscape, make loose thinking and working more important than ever. Centralized, hierarchical systems made sense in a world in which information and knowledge were relatively scarce commodities and could be tightly controlled, but the decentralization of knowledge, brought about by the inexorable rise of the internet, combined with a collapse of trust in traditional sources of authority and expertise, legitimizes the creation of flatter, decentralized operational models. In a recent survey of UK-based human resources professionals, only 35 per cent believed that the traditional command-and-control model of leadership would prevail in their organizations over the next five years, but to highlight how far most businesses have to travel, 85 per cent admitted that traditional, hierarchical forms of leadership continued to dominate their organizations.[17] Rapidly changing customer expectations are also forcing institutions to operate and respond in real time, placing a premium on agility, flexibility and an ability to improvise. Longer-term planning and cautious, careful deliberation are increasingly becoming luxuries that few organizations can afford.

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[14] Tom Peters, *Re-imagine: Business Excellence in a Disruptive Age*, Dorling Kindersley, 2003.

[15] www.tompeters.com

[16] Tom Peters and Robert H. Waterman, *In Search of Excellence*, Profile Business, 2004.

TIGHT DOESN'T WORK

The other part of my argument is that tight – the antithesis of loose – while being superficially attractive and comforting, doesn't work and that the biggest weakness of most institutions is the illusion or possibly the delusion of being in control. We witness the control delusion in business leaders, who would rather issue a set of formal rules, and pretend that they are being adhered to, than put the time and effort into creating a culture in which people behave in the right way. It affects politicians, who regard the imposition of new legislation as the answer to all of society's problems. The deficiencies of tight thinking can also be seen in the paralysis of analysis that affects so many business decision-makers, who find comfort in the accumulation of vast amounts of market and customer data, but are then so overwhelmed that they are incapable of making any decisions. This corporate tendency was memorably highlighted by Ross Perot during his long drawn-out dispute with the senior management team at General Motors: 'I come from an environment where, if you see a snake, you kill it. At GM, if you see a snake, the first thing you do is go hire a consultant on snakes. Then you get a committee on snakes, and then you discuss it for a couple of years. The most likely course of action is— nothing. You figure, the snake hasn't bitten anybody yet, so you just let him crawl around on the factory floor. We need to build an environment where the first guy who sees the snake kills it.'[18]

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[17] 'Head office of the future', *HR Magazine*, October 2009.

In the public sector, tight thinking manifests itself in the use of targets to measure the performance of our schools, hospitals and other public services. All too often this simply results in the distortion of priorities: schools focus on softer, less academic subject areas and concentrate their efforts on pupils that will make a difference to the exam results (typically those just below the pass grade), rather than pupils at the top and bottom of the pile; hospitals manipulate waiting lists and start prioritizing quick and easy operations, rather than the more difficult ones. David Boyle, in his highly influential book, *The Tyranny of Numbers*,[19] quotes business psychologist John Seddon: 'People do what you count, not necessarily what counts,' which echoes the famous sign hanging on the wall in Einstein's office in Princeton: 'Not everything that counts can be counted and not everything that can be counted counts.'

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[18] *Fortune* magazine, 15 February 1988.

It is said that it takes a mere 18 months before the people in any organization work out the best way to manipulate or 'game' a target-based system, whether it governs the allocation of healthcare funding, a ranking in a government-backed league table or decisions about bankers' bonuses. After this time the system starts subverting itself, delivering a set of outcomes completely different to those that were intended and, all too often, the numbers that are being counted become more important than the behavioural change that the organization is trying to deliver. Smart managers know this, so they regularly adjust the targets and the success criteria used to measure them, but most of the time the people responsible for creating the systems and setting the targets cling to a faith in the validity and integrity of their tight, empirical world. They seem happy to remain in a state of blissful ignorance. This appears to have been a fundamental weakness within the world's leading financial institutions in the build-up to the global banking crisis. The senior directors running the world's leading financial institutions knew that their target-based culture was encouraging people to take unnecessary risks and put their own narrow interests ahead of those of their employers, but they appeared to have suffered from a case of collective myopia.

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[19] David Boyle, *The Tyranny of Numbers: Why counting can't make us happy*, Flamingo, 2001.

A single-minded focus on numbers and targets also shifts the source of expertise and investment, particularly in our public institutions, from the front-line practitioner – the teacher or the surgeon – to the measurer of their performance – the auditors, accountants and managers: hence the growth of the back-office or managerial function in most public bodies. This almost certainly explains why the number of managers in the National Health Service in England increased by nearly 12 per cent in 2009, more than five times the rate at which qualified nurses were recruited,[20] and also why, according to the Chief Inspector of Constabulary, Sir Dennis O'Connor, only 13 per cent of police and community support officers are actually walking the beat.[21]

The recent decision by the UK's coalition government to place spending decisions in the hands of GPs and to decapitate the top tier of NHS managers by abolishing Primary Care Trusts and strategic health authorities, represents a bold – their opponents would say a foolhardy – attempt to address this issue. It has also pledged to scrap top-down targets in both health and education and evolve the NHS from a state-funded monopoly into a looser social-enterprise model. It will be interesting to observe how it manages to balance the removal of targets with the continuous demand to demonstrate accountability and efficiency, especially during a time of rapidly shrinking public finances. I sit on the board of a government quango and see at first hand the pressures on public institutions to account for every penny of public money that is spent. It is expensive to put in place the necessary auditing and compliance procedures and invest in tracking research to measure whether desired behavioural changes have been achieved, but, given the demands of the National Audit Office and the scrutiny of the media, we are left with little alternative.

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[20] NHS Information Centre Study (published March 2010).

[21] Quoted in the *Guardian*, 21 July 2010.

There have also been inconsistencies in the coalition's approach. Its commitment to the virtues of decentralization and rolling back the power of the state – as part of David Cameron's Big Society vision to redistribute power from 'the elite in Whitehall to the man and woman on the street'[22] – is not reflected in the decision to strip local educational authorities of their power over new academy schools, which will report directly to the Education Secretary. The government's plans for a new form of national service for 16-year-old school leavers is also based on a centralized, top-down model and has been criticized by many of the existing voluntary organizations working in the youth sector for not harnessing their specialist expertise. Most governments appear to start out with a declared commitment to the decentralization of decision-making, but a more authoritarian, centralizing instinct starts taking hold as frustration grows with the slow pace of change and the media and public start demanding that 'something must be done'. It will be interesting to see how long the coalition can stick with its looser principles before it reverts to a more centralized, autocratic mode.

We have already started to see this, to some extent, with calls to impose tougher legislative controls on the sale of alcohol, five years after the relaxation of the licensing laws. The original liberalization was intended to herald the emergence of a more relaxed, continental-style of drinking, although for many bar owners, it simply created an opportunity for 24-hour opening. It is hardly surprising that the desired behavioural change has yet to take place – as a visit to one of our towns and cities on a Friday or Saturday night would testify – but expecting Britain's deep-seated cultural attitudes to alcohol to change within such a short period of time was always going to be unrealistic. The emergency services and media have understandably demanded that the government acts to tackle the 'Binge Britain' effect – the *Daily Mail* has called for 'a concerted fightback against the misery inflicted by Labour's liberalisation of drinking laws'[23] and described 'the social catastrophe'[24] created by a flood of cheap alcohol – conveniently forgetting that serious, alcohol-related problems predated the original decision to change the laws. There are undeniably flaws in the current system – it was never intended to provide 24-hour drinking and the price of alcohol is almost certainly too cheap – but the imposition of tighter legislation has rarely been effective in changing social behaviour.

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[22] David Cameron's Big Society launch speech 19 July 2010.

THE DANGEROUS ILLUSION OF SIMPLICITY

As David Cameron and his new colleagues in government are discovering, the world is chaotic and confusing. Confucius may have declared that 'Life is really simple but we insist on making it complicated', but he wasn't trying to run a large organization in a highly competitive market and facing the unrelenting scrutiny of shareholders, stakeholders, activists, employees and legislators. Our understanding of the world is not enhanced through the oversimplification of complexity or illusory faith in some artificially imposed sense of order. This is one of the key conclusions made by Stephen Chan, Professor of International Relations at the University of London's School of Oriental and African Studies. In his book *The End of Certainty*,[25] he argues that the oversimplified, Western perspective on what is, in reality, a highly complex and diverse world, lies at the heart of the failing of international politics. Harvard University's Robert Kegan made a similar point in the build-up to the 2008 US presidential election, when issuing his own situations vacant ad in *USA Today*: 'Wanted: A president with a complex mind. For as we've learned the hard way, tough issues can rarely be solved with black-and-white thinking. In the world, nothing is that simple.'[26] This was an obvious attack on the perceived limitations of George W. Bush's apparently simplistic world view. Barack Obama clearly fits the job description of someone with a 'complex mind', displaying a much more nuanced understanding of the complexities of international politics, whether talking about the shared values underpinning Christianity and Islam, or the need to form a new (post-Cold War) relationship with Russia. Awarding him the 2009 Nobel Peace Prize for 'his extraordinary efforts to strengthen international diplomacy and co-operation between peoples'[27] may have been a case of jumping the gun, for someone who has yet to deliver any tangible foreign policy achievements, but it underlined the hope that resides in

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[23] *Daily Mail*, 1 October 2009.

[24] *Daily Mail*, 20 January 2010.

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[25] Stephen Chan, *The End of Certainty: Towards a new internationalism*, Zed Books, 2010.

[26] *USA Today*, 13 June 2007.

[27] Statement of the Nobel Committee, 2009.

Obama's skills as an internationalist. Whether he proves to be more successful than George W. will largely depend on his ability to take Middle America (not exactly renowned for its willingness to embrace ambiguity and complexity) with him.

Professor Chan is also pretty damning about the lack of intellectual and philosophical tradition in modern Britain and our politicians' unwillingness to debate complex issues, suggesting that, 'Three decades of dogged soundbite phraseologies of both Thatcherism and Blairism have made debate a contest between assertions of certainty.'[28] He believes it essential that we talk about how the world really is – in all of its mess and ambiguity – rather than how we wish it would be. His views are echoed by Don Norman, described by *Business Week* as 'one of the world's most influential designers'. He has argued that 'simplicity is highly overrated' and that 'People prefer complex things. If it's too simple, it gets boring'. In his book *Living with Complexity*,[29] he celebrates complexity in product design as a good thing and necessary, because our lives are complex and therefore the tools we use to help us must reflect this reality: 'Complexity can be good, leading to a rich, satisfying life, filled with rich, satisfying experiences.'[30] But before he can be accused of advocating consumer-unfriendly design solutions, Norman makes the very important distinction between things that are complex and those that are complicated, suggesting that: 'We must distinguish complexity from confusion, perplexity and unintelligibility. The goal is complexity with order, lucidity and understanding.' His view is very different from that of Edward de Bono, the lateral-thinking guru, who argues that, 'Dealing with complexity is an inefficient and unnecessary waste of time, attention and mental energy. There is never any justification for things being complex when they could be simple.'[31] I tend to concur with Norman's view of the world. We don't need things to be simple, when the reality is complicated, but we do need things to be understandable. Making something deceptively simple is not as valuable as providing a clear and coherent narrative through a complex reality.

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[28] www.theendofcertainty.com

[29] Donald A. Norman, *Living with Complexity*, MIT Press, 2010.

[30] Interview at North Western University.

There is an adage in political circles when trying to explain complex issues to a disengaged electorate or journalists looking for a soundbite: 'Do you want the simple lie or the complicated truth?' All too often we appear willing to accept the simple lie – that economic markets are innately efficient and driven by rational thinking; that putting more people in prison will reduce crime; that financial targets drive performance or that people will follow rules – even when the evidence suggests otherwise. Unfortunately, the simple lie or a willingness to put our faith in the illusion of control looks even more attractive during times of crisis. We find comfort in certainty and rational, empirical thinking at the best of times, but this trait is intensified when we feel threatened. It is why electorates invariably shift to the right during times of political or economic upheaval. In his book *The Audacity of Hope*, Barack Obama describes the appeal of Ronald Reagan's homespun, simplistic message in the aftermath of the late 1970s recession and the Iran hostage crisis: 'I understood his appeal. It was the same appeal as the military bases back in Hawaii had always held for me as a young boy, with their tidy streets and well-oiled machinery, the crisp uniforms and crisper salutes. Reagan spoke to America's longing for order, our need to believe that we are not simply subject to blind, impersonal forces but that we can shape our individual and collective destinies.'[32]

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[31] Edward de Bono blog, 18 August 2006, www.debonoblog.com

Just like electorates during times of political or financial instability, the instinct of many business leaders to retrench in the wake of the recent economic turmoil is understandable. When you are under attack, when allies seem thin on the ground, human nature tells you to keep your head down. Try to marshal the chaos into something that can be controlled. Loosening up during a crisis seems counter-intuitive. Distrust everyone: employees, customers and other stakeholders, they are all out to get you. Don't even trust yourself to make the right decisions, but only act when you have complete certainty about the likely outcome and abide by the narrow mantra of 'If you can't measure it, don't do it'.[33] At the same time, adopt a tight, hierarchical approach to all communication, banning anything that hasn't been through the most rigorous approval processes and legal checks. Experimentation is risk and risk is inherently a bad thing.

James Boyle, the author of *Public Domain*, describes this mindset as 'cultural agoraphobia', which 'leads us always to emphasize the downsides of openness and lack of central control and to overvalue the virtues of order and authority'.[34]

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[32] Barack Obama, *The Audacity of Hope: Thoughts on reclaiming the American dream*, Canongate Books, 2008.

[33] This is a corruption of the quote usually attributed to Peter Drucker, 'If you can't measure it, you can't manage it.' I have heard it used on numerous occasions to justify why a particular programme or project, that happens to be difficult to measure, is too risky to pursue.

[34] James Boyle, *Public Domain: Enclosing the commons of the mind*, Yale University Press, 2009.

Boyle focuses on two simple stories to illustrate his point. Minitel was an early version of the internet: a highly reliable and authoritative online information source, controlled by the French government via the state-owned France Telecom. Compared to Minitel, the World Wide Web is a chaotic and uncontrollable environment, full of propaganda and pornography, in which no one is in overall control, quality is variable in the extreme and anyone can publish whatever they want. Boyle also invites us to compare the *Encyclopaedia Britannica* – a wonderfully authoritative source of information, produced by a team of eminent academics and lexicographers – with Wikipedia, put together by a loosely co-ordinated group of enthusiastic amateurs. In both cases, and without the benefit of hindsight, which option would we have chosen? The truth is that the vast majority of us, driven by a fear of chaos and a love of order (Boyle's 'cultural agoraphobia'), would have been instinctively drawn to the tighter, more controllable and seemingly more authoritative Minitel and *Encylopaedia Britannica*.

Boyle was writing from the perspective of an intellectual property law expert and striving to find a balance between the protection of rights holders and the public good. His thesis is not that of a typical libertarian, arguing for complete deregulation or unrestricted access to all creative content. He simply suggests that given a choice between (what I would describe as) loose and tight, our instincts are invariably wrong: 'It is not that openness is always right. It is not. Often we need strong intellectual property rights, privacy controls, and networks that demand authentication. Rather, it is that we need a balance between open and closed, owned and free, and we are systematically likely to get the balance wrong.'

THE HIGH PRICE OF CONTROL

Not only does tight not work, but the control illusion that underpins it – an illusion propagated by legions of consultants, economists, market researchers and other purveyors of empirical snake oil – has actually made businesses less capable of embracing the complex realities of the modern world. After decades of investing huge amounts of money on consultants and hiring expensive forecasters, planners, analysts, econometricians, compliance officers and an army of spreadsheet-wielding MBAs, are the decisions made by our corporations any more effective? Are our leaders any smarter than those who have gone before or are our institutions better equipped to handle what the world throws their way? All too often, to use a sporting metaphor, it is like sportsmen spending so long pumping iron in the gym that they end up too muscle-bound to actually perform on the pitch.

The people at the top of the leading management consultancies would naturally argue in favour of the merits of taking a more analytical or empirical approach. According to Ian Davis, worldwide managing director of McKinsey: 'Long-gone is the day of the gut-instinct management style. Today's business leaders are adopting algorithmic decision-making techniques and using highly sophisticated software to run their organizations.'[35] Professor Roger Martin, Dean of the Rotman School of Management at the University of Toronto, describes himself as 'a recovering strategy consultant' – a tongue-in-cheek homage to his days with the Monitor global strategy consultancy. It is hardly surprising that Martin sees things differently from the people at McKinsey: 'Let me suggest an alternative trend – the rise of heuristics [the application of intuition or common sense to problem solving] over algorithms; qualitative over quantitative research; judgement over analytics, creativity over crunching. Smart executives are recognizing that the analytic approach to business has overreached.'[36] Recent developments, such as the emergence of behavioural economics and the use of more creative approaches to market research, would suggest that the tide is turning in favour of Martin's view of the world. There will always be a place for sound analysis, the application of sophisticated data and clever software, but not at the expense of judgement, intuition and creativity.

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[35] *McKinsey Quarterly*, January 2006.

The vast amount of time and energy that businesses spend on compliance, forecasting, market research, data crunching, strategic planning and strategic risk assessments has also added a huge cost and administrative burden. The recently established Independent Parliamentary Standards Authority (IPSA), created in the wake of the MPs' expenses scandal, provides a perfect illustration of the high cost of compliance. Created at a cost of £6.6 million – which, incidentally, is six times the amount that the errant MPs were forced to repay – the IPSA is rumoured to require an annual budget of £6 million and 80 staff to manage MPs' expense claims. Not only is it expensive, but the system it operates has been widely criticized for being slow, ridiculously bureaucratic (even small items, such as office stationery, have to be claimed for) and unnecessarily complicated. That said, any sympathy the media and public may have had for those suffering at the hands of the bureaucrats was soon quashed when IPSA provided the press with accounts of its staff being verbally abused by a handful of frustrated MPs.

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[36] Quoted in *Marketing* magazine 20 May 2009.

We might accept that an expensive and overly bureaucratic compliance system is a small price to pay to protect the integrity of our parliamentary democracy, but away from Westminster, imagine how much is invested by businesses and other institutions on unwieldy compliance functions, risk assessments that fail to anticipate future problems, strategic reports and detailed job descriptions that will never be read, detailed pieces of data analysis that don't reach any conclusions, market research that fails to generate any insights, grand strategic plans that can't be implemented. Selling the illusion of tight is an expensive business.

THE SEARCH FOR NEW THINKING

This book isn't written from the perspective of Silicon Valley or some other hotbed of new age and often, to a northern European ear, somewhat naive business thinking. It is hopefully grounded in real business – what I typically describe, somewhat unfairly, as 'the world of big, boring companies, dealing with everyday big, boring issues'. I have therefore included as many case studies on major corporations as I have on the type of smaller, leading-edge enterprises that tend to dominate most business books. During the first part of this book I will explore the forces that underpin the need to loosen up, from the increasing complexity facing all institutions and the growth of new types of informal collective behaviour to the impact of social media and generational shifts at the top and bottom of the corporate hierarchy. I will then describe what I would characterize as the end of certainty – a collapse of faith in the tight, empirical, rational models that underpinned our financial and political systems and approach to business – and how this is being replaced by a new wave of thinking in many of our financial institutions, corporations, business schools and political parties. The launch of David Cameron's Big Society vision and the new coalition government's use of participative techniques to involve the electorate in policy and spending decisions, have provided me with a particularly timely case study on what appears to be a loosening of the political process. There is talk in the corridors of Westminster about the emergence of a 'post-bureaucratic age', brought about by the transformational power of the internet and the public's desire to scrutinize the behaviour of its so-called political masters. This trend appears to be mirrored on the other side of the Atlantic, with the emergence of the Tea Party movement, a grassroots political force without any clear leadership, definable structure or coherent agenda, other than a visceral hatred of government in general and Barack Obama's policies in particular.

I am also trying to make a balanced argument. Business theories, models and definitions of what constitutes good business practice are innately oppositional. Every iconoclastic, sweeping assertion by the evangelists of social media and Silicon Valley thinking, criticizing generally accepted business practices, receives a counterblast from business professionals, who regard much of this thinking as puerile, contrarian and naïve nonsense. Finding a pragmatic balance, without appearing to sit on the fence, is tricky. It is always easier to write a polemical rant than a sober assessment of pros and cons, but I believe that the necessary oversimplification at the heart of any polemical argument makes it difficult to apply any lessons to the real world. Clever soundbites and glib management aphorisms rarely translate into smart strategies. My contention therefore is that institutions cannot be entirely loose – there has to be some structure and organizing principle, otherwise complete chaos will ensue. In the words of Kai Peters, chief executive of Ashridge Business School, 'Bureaucracy is slow and cumbersome, but generally cost effective and reliable. Absolute decentralisation is creative and exciting, but it leads to duplication, generates a myriad of micro-systems and is ultimately frustrating and expensive.'[37] But by the same token, an excessive reverence for tight ways of thinking and working is delusional, expensively counter-productive and fails to bring the best out of people. There has to be freedom, but within a framework.

Paradoxically, for any institution, being loose is far more difficult than being tight. It takes time and effort to create an organizational culture that can operate without a command and control mindset. Business guru Peter Drucker talked about how 'flexible free-form organizations place greater load on their members than do the traditional command and control structures',[38] while Abraham Maslow made the point that a more democratic style of management was more demanding than an authoritarian approach, because it required more of the individual. It is all too easy to see why lazy leaders and weak institutions revert to authoritarianism and the illusion of control; it just saves time.

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[37] *Management Today*, March 2010.

[38] Quoted in Carol Kennedy, *Guide to Management Gurus*, Random House Business, 2007.

FIGHTING THE SOCIAL NORM

There are also some powerful social barriers to loose thinking. Readers of the *Daily Mail* may bemoan the emergence of a permissive society, reflecting the liberal and what they would regard as irresponsible values of the 1960s, but the reality is that society has become increasingly tight. New laws, new forms of surveillance and a huge compliance infrastructure – from traffic wardens and surveillance camera operators to health and safety officers – have been put in place to control our behaviour. And broadly speaking, the vast majority of us like it this way, so much so that society tends to turn on people prepared to go against the norm.

Oliver and Gillian Schonrock are unlikely heroes, but they can be legitimately labelled as champions of a loose way of thinking. The couple found themselves in the middle of a media storm during the summer of 2010, when news leaked out that their local education authority had threatened to report them to social services. Their crime? Allowing their children aged eight and five to cycle the one mile from their home in Dulwich, South London to school and back. The Schonrocks argued that they felt it important for their children to enjoy the same level of freedom from parental supervision that they themselves had enjoyed as children. Battle lines were quickly drawn between commentators and members of the public who admired the couple's laid-back attitude and others who felt their actions were completely irresponsible. Boris Johnson, the arch libertarian Mayor of London, was predictably on the side of the Schonrocks. Writing in the *Daily Telegraph* he said, 'Instead of hounding the Schonrocks we should start doing everything we can to make their dream come true.'[39] He followed this with a typical piece of Johnsonian rhetoric in support of them: 'They have taken the sword of commonsense to the great bloated encephalopathic[40] sacred cow of "elf" and safety and of course are being persecuted by the authorities.'[41] He has recently backed-up the rhetoric by trying to persuade the authorities in London to allow children to cycle on the pavements.

The Schonrocks might find inspiration in a website created by another parent, whose loose approach to childcare put her at odds with conventional thinking. Lenore Skenazy is a mother with a mission. In the spring of 2008 she allowed her nine-year-old son to travel unaccompanied on the New York subway, from Bloomingdale's, in the middle of Manhattan, to the family home. She then wrote about it in her column for the *New York Sun*. As was the case with the Schronrocks, Skenazy's action catalysed a heated debate about the amount of freedom that parents should give their children. She argued that New York is now one of the safest cities in America and that when her son made it home and without mishap, he was 'fairly levitating with pride'. When confronted by the inevitable media storm, she tried to put things in perspective: 'My son had not climbed Mt Fuji in flip-flops. He did not decode his own DNA. He'd simply done what most people of my age had done routinely when they were his age: gone somewhere on his own, without a security detail.'[42] The media controversy encouraged Skenazy to create her Free Range Kids blog, to provide a platform for her belief that parents should stop being so paranoid about the safety of their children.

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[39] *Daily Telegraph*, 5 July 2010.

[40] I had to look this up as well. It is a disease of the brain. Boris was clearly paying attention during O-level biology.

[41] Quoted in the *Observer*, 11 July 2010.

[42] Interview in *The Times*, 9 June 2008.

When it comes to the protection of our children, tight thinking has become the social norm. We live in a risk-averse, litigious culture, we are obsessed with health and safety and feel irresponsible if we don't keep our children under supervision at all times. Even the health and safety experts, who are invariably blamed for over-reacting, have called for a greater balance between risks and benefits when it comes to bringing up our children. The chief executive of the Royal Society for the Prevention of Accidents has suggested that, 'We need to accept that uncertainty is inherent in adventure and this contains the possibility of adverse outcomes. A young person's development should not be unduly stifled by the proper need to consider the worst consequences of risk but must be balanced by its likelihood and indeed its benefits.'[43] The new Education Secretary, Michael Gove, has joined the chorus in favour of fewer restrictions, calling for 'a *Dangerous Book for Boys* culture'[44] and criticizing the 'bubble-wrapped culture' that he believes is the norm in UK schools.

But at the moment, society emphasizes the risks and appears to demand that children are raised in virtual captivity and not allowed to make decisions for themselves. One of the simplest manifestations of parental tight thinking has been the dramatic increase in the number of children who are now driven to school, rather than walk or use public transport: the number of seven- to eight-year-olds who walk to school on their own in the UK has declined from 80 per cent in 1971 to only 10 per cent in 2010.[45] The sad irony is that the biggest risk to those children who actually walk to school is from the large number of cars charging up to the school gates. As the Schonrocks and Skenazy discovered, challenging the tight thinking that underpins the approach of most of our institutions – no matter how spurious the rational and empirical logic they use to bolster their arguments – is rarely easy.

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[43] Quoted in *The Times*, 2 July 2010.

[44] Quoted in the *Sunday Times*, 12 September 2010. He references Conn and Hal Iggulden's *The Dangerous Book for Boys*, HarperCollins, 2006.

For twenty-five years the Seattle-based retailer, Nordstrom, operated its business using an employee manual that consisted of a small card handed out to each new employee. On the front it read: 'Welcome to Nordstrom. We're glad to have you with our company. Our number one goal is to provide outstanding customer service. Set both your personal and professional goals high. We have great confidence in your ability to achieve them. So our employee handbook is very simple. We only have one rule'. On the back of the card it read: 'Our only rule: Use good judgement in all situations." The only supplementary advice provided was to, 'Please feel free to ask your department manager, store manager, or division general manager any question at any time.'[46] Unfortunately, this simple piece of advice and very public demonstration of trust in its employees, that served the company well for so many years, has become something of a museum piece. The welcome pack for new Nordstrom employees continues to include the card, but also features a more conventional handbook of rules and regulations highlighting how even the most enlightened businesses were helpless in the face of the rising tide of litigation and compliance. The irony is that the Nordstrom manual story has been rediscovered by the social media generation, who hold it up as a perfect example of the type of trusting corporate behaviour that is necessary when dealing with employees' use of social media. Meg Pickard, writing in the *Guardian* about the media owner's new social media guidelines for staff, was one of many to reference the Nordstrom story. In her view: 'An exhaustive list of commandments is rarely the best way to influence behaviour. Prescriptive rules have the effect of infantilising staff, and make it harder for them to adapt to different situations. This goes as much for digital communication as for selling socks . . . Like the Nordstrom handbook, we're trusting staff to follow the spirit, not just the letter, of our guidelines.'[47] It is time to rediscover the original spirit of the Nordstrom manual and challenge the assumption that people cannot be trusted, that rules and regulations are the only way to control our behaviour and that the only alternative to tight complicance is organizational chaos.

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[45] Statistic quoted in *The Times*, 15 September 2010.

[46] *The Nordstrom Way to Customer Service Excellence: A handbook for implementing great service in your organization*, Robert Spector and Patrick McCarthy, John Wiley & Sons, 2005.

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[47] *Guardian*, 1 November 2010.

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