LETTER TO THINKING MANAGERS

de bono heller

A private monthly briefing with Edward de Bono and Robert Heller

How designed thinking tools can make a huge difference: yet most people don't know this to be true

'We believe that if you have the truth, action is easy. You can't have the truth about the future. And design is about the future'

Why the reforms at Shell and the necessity for them teach plenty to top managers in all companies

'A management inflexion point comes when those practices and precepts that served well enough in a golden past no longer apply'

12

2004

THE FAT MAN AND THE THIN

A fat man and a thin man are running a race. For reasons which will become obvious later, we shall change from a 'race' to 'running after the girls'. The thin man will come out ahead in most cases - unless the thinness of the thin man is due to illness or starvation! Let us look at some different approaches to this situation.

CATEGORY APPROACH

Here we put the fat man into the appropriate 'fat man' category. We then know that fat men do not run very fast. This is the approach adopted by psychologists, psychiatrists and business executives in general. Once we can 'box' the situation, we know the expected behaviour. If it is this type of situation, then we know, from experience, how the situation will develop.

The whole of our 'thinking software', as developed by the GG3 (Greek Gang of 3) is about identifying the standard situations and thus knowing all about them. A doctor does this all the time. The doctor diagnoses the illness. Once the diagnosis has been made, the probable course of the illness is known. The possible complications are known.

Most important of all, the standard treatment is known. Identifying the category immediately indicates the required action. While this may be very useful in predicting the outcome of the competition between the thin and the fat man, it does not help the fat man at all.

THE GENES APPROACH

This is even more fundamental than the category approach. Here we say that the fat man has 'fat man genes'. There is nothing he can do about it. He will always be fat, because that is the way his metabolism works. So he had better adjust to the situation and stop trying to compete with thin men.

While this approach may seem rather negative, it also seems practical. Why attempt the impossible? Be pragmatic. Do what can be done. Assess the actual capabilities of your organisation and yourself, and then play to those capabilities.

This can rather easily translate into: 'be content with the existing situation and do not strive to change it'. The result is complacency. Many organisations have this strategy, even though they would rarely admit it: 'You cannot change your genes - so do not waste your time trying.'

THE ANALYSIS APPROACH

This would probably be the most common, because it arises from the way in which we are taught thinking at school, at university, in business schools etc. We analyse the situation: the fat man cannot run fast because he is fat.

We now seek to put things right. We analyse further. Why is this man fat? We refuse to accept the passivity of the 'gene approach'. We suspect that the man is eating too much. So, based on our analysis, we take action to put things right. We put the man on a strict diet. The hope is that the fat man will indeed lose weight and will then compete with the thin man.

In the analysis approach you analyse the situation. You find the cause. You remove the cause. You have now put things right and solved the problem. This approach works quite often. At this point we may believe we have covered all approaches. But we have not. The best approach is yet to come. How do we design a way forward that will reach the values that we want?

Analyse the situation. Find the cause. Remove the cause. You have now put things right and solved the problem. This approach works quite often. At this point we may believe that we have covered all the approaches. But we have not. The best approach is still to come.

THE BICYCLE APPROACH

We provide the fat man with a bicycle, and he will now surely outdistance the thin man. At this point we can see why the 'race' metaphor would not have applied, because the rules of the race would have precluded a bicycle. The approach is not that of analysis, but the approach of 'designing the way forward'. Here is the situation. How do we design a way forward to reach the values that we want? Design is very different from analysis.

DESIGN AND ANALYSIS

When Greek thinking was re-introduced into Europe at the Renaissance, schools and universities were largely run by the Church. The Church had a great need for the 'truth'. This was needed to prove heretics wrong. Education became truth-obsessed. Analysis is part of the search for the truth. What are the elements here? How is this made up? What is the underlying truth?

You cannot hope to have the truth about something which is not yet there and will not be there until you have designed it. As a result 'design' has never been part of formal education. Education is about the way things are and about the 'truth'. There are certain fields like architecture that are all about design, of course. But in general design is not adequately taught

We believed, and still believe, that if you have the truth, then action is easy. You can have the truth about the present and the past, but you cannot have the truth about the future. Design is about the future. Analysis is about the past.

You can never have the truth about something which is not yet there and will not be there until you have designed it. As a result 'design' has never been a part of formal education. Education is about the way things are and about the 'truth'. Of course, there are certain fields like architecture which are all about design - even though they are too often taught as the 'analysis of different styles'. But, in general, design is not adequately taught.

PRACTICAL IMPORTANCE

In the design approach we design frameworks and structures which people can learn and use deliberately. So the Six Thinking Hats is a design structure that can be learned and used. It is so simple and practical that it is used by four-year olds, by senior executives and by leading economists - a far better way to explore a subject than the absurdity of argument

Most people working on human thinking set out to analyse the different stages of thinking. They then set out to teach these stages. But description does not provide an operational tool.The same people seek to analyse why someone thinks in a certain way. They then seek to correct any obvious faults. This is the traditional analysis approach. So what is the 'design' approach?

In the 'design' approach we design frameworks and structures which people can learn and use deliberately. So the Six Thinking Hats is a designed structure that can be learned and used. It is so practical and simple to use that it is in fact used by four-year-olds, by senior executives and by top economists. It is a far better way of exploring a subject than the absurdity of argument.

- A major corporation in Finland used to spend thirty days on its multi-national project discussions. Using the parallel thinking of the Six Hats, the discussions now take only two days.
- MDS, a company in Canada, did a careful costing and showed that using the Six Hats saved $20 million in the first year.

Another example of a 'designed' framework is the CoRT thinking tools which bring about an expanded perception. The Hungerford Guidance Centre in London takes youngsters who are too violent to be taught in normal schools. When David Lane was the principal, he started teaching these thinking tools to the youngsters. He has now done a 20-year follow-up, which has shown that the rate of crime, measured by convictions, is far lower in the group taught thinking than in the group not so taught. This is a remarkably powerful effect. Sadly, most people in education - and business - have no idea that designed thinking tools can make a huge difference.

DESIGN

Design means putting together what we have in order to deliver a value that we want. In the beginning every business was a design. Later, maintenance and problem-solving take over, and the design element disappears.

Robert Heller

SIGNPOSTS FOR MANAGERS

SHELL HAS PROMOTED ITS TOP-LEVEL RESHUFFLE AS A SWEEPING, RADICAL MOVE BRINGING THE BLESSINGS OF ACCOUNTABILITY, SIMPLICITY AND CLARITY. BUT THE ARCHITECTS OF THE REFORMS MUST HAVE BEEN DEEPLY IMPLICATED IN PERPETUATING THE FORMER SYSTEM – WHICH WAS FUZZY, COMPLICATED, INEFFICIENT AND NOT PROPERLY ACCOUNTABLE. HOW COME?

THE SAD LESSONS OF SHELL

One advantage of having a very long memory for management behaviour (and misbehaviour) is that you can check the allegedly heroic present against the foolish past. But long memories are scarce in this field. Royal Dutch-Shell can thus more easily promote its current top-level reshuffle as a sweeping, radical modernisation, bringing the blessings of 'clarity and simplicity…efficiency…accountability'; and, of course, conferring much credit on its authors.

The reality, however, is that the architects of reform had been deeply implicated in perpetuating a system that was unclear and complicated, inefficient and inadequately accountable. Radical reformation only followed in the wake of the oil reserves scandal - the deliberate misreporting that cost the chairman, Sir Philip Watts, his job. It is, of course, right and proper that the chief executive should pay the price of such monumental error. But that isn't what happened - for Watts was not the chief executive.

Nobody was, believe it or not. The unusual split of the group's ownership between the Dutch company (representing 60% of the equity) and the British was reflected by two boards, two equities, and two chairmen. True, the operating interests were combined under the banner of Shell Petroleum. Its managing directors (usually seven in number) acted as a kind of collective CEO under the leadership of a 'senior managing director': but that ramshackle set-up was hardly fit for the 21st century

INFLEXION POINT

How could so extraordinary a fix have come about? How could a vast multinational corporation, staffed with brilliant people and stuffed with billions in cash, have so basically mismanaged its affairs? The answers aren't specific to Shell or to large public organisations. Small family companies commit exactly the same mistakes and for much the same reasons - or rather lack of reasons. They pass what may be called the 'management inflexion point' - the moment when the practices and precepts that have served well enough in the past no longer apply.

The consequent decline may take decades rather than days. Never mind being unfit for the 21st century. Actually, Shell's structure wasn't even fit for the early Sixties, which is when the appointment of a single CEO was first proposed. The proposers were McKinsey consultants, who launched their astounding rise to British fame and fortune on the back of their work for

Shell. The rejection of their (literally) central recommendation wasn't based on any factual argument or alternative and superior theory. McKinsey's standard solution was (and no doubt still is) that corporate effectiveness rests on having 'streamlined decision-making with clear lines of authority and an empowered chief executive'.

The Shell directors who put their names to the above sentence have as much to explain as the predecessors who saddled the group with four decades of clumsy decision-making and fuzzy lines of authority - although nearly every other major business, inside and outside oil, had the clearly superior structure now being adopted. The truth is that Shell was inordinately proud of its differences, including the time-honoured 'committee of managing directors'. Now to be abolished, this bevy of barons was once an object of great internal pride.

UNDERSTANDABLE PRIDE

Now, pride in your company, its history and its uniqueness is wholly understandable and even valuable for its contribution to morale. But a moment's logical thought makes it clear that the pride is emotional and is attached, not to strengths that can be rationally analysed, but to accidents of history and misreadings of the present. Most groups of people like to believe that they and their organisation are 'the best'. But it's plain that everybody can't be the best.

In other words, self-delusion is rampant. That explains the typical reaction when anybody - like McKinsey at Shell - suggests changes that a company, above all its leaders, finds deeply unpalatable. The response is basically 'why should we change when what we're doing now works so well?'. To crack this barrier, people need to be persuaded of three crucial points

- that 'what we're doing now' doesn't work so well, and may even be working badly
- that unless the top managers do embrace change, they will be courting failure
- that others, including critical insiders and external observers, know better than you do

All three of these ideas are far less welcome than the alternative belief that yours is the best of all possible companies. The first of the trio demands self-criticism; the second raises the fear of failure; the third involves a degree of self-abasement. At least, that's how it looks to managers who do not understand the essence of good management. That hinges on intelligent self-criticism, plus readiness to accept the reality of weaknesses and threats, with equal acceptance of the wise contributions of others - inside or outside the company.

Once again, emotion is confronted by logic: but once again emotion generally wins, unless it is brought down to earth by a really humiliating disaster like Shell's - or the recently announced first loss in J.Sainsbury's long history. Emotion is so powerful that it can even swamp the personal self-interest of people who are in a position to intervene in the company's affairs: notably family shareholders. The Sainsburys have nearly two-fifths of the supermarket company's shares. How did they ever allow the mismanagement of the business to reach this pass?

Sir John Sainsbury, the all-powerful boss who took the chain to the top of the supermarket tree, is still alive; and many other family members exist, all of them sharing the sorry injury inflicted on their fortunes by the sitting managements. Families may even not react as soon as the unmistakable evidence of systemic failure appears. As at Sainsbury and Shell, awakening can take years, even decades. And really valuable intervention averts failure by intervening to nip mistaken policies in the bud.

CLASSIC NON-EXEC CODE

These family owners, however, abide by the classic code of all non-executives. You appoint a chief executive of whose abilities you have been convinced, and you thereafter leave him or her alone to get on with the task. The code, however, goes further than this basically sensible rule. The code holds the CEO innocent until proved very guilty, and shies away from early intervention - for that would plunge the family or other non-executive directors into the unwelcome waters of management upheaval.

It took even the eminently sane Warren Buffett two years of increasing disaster to initiate action against the blundering CEO of Coca-Cola, Doug Ivester. At IBM, there on the board sat Thomas Watson, Jr., the hero who had converted the business into by far the largest and best force in computing: and who sat there during the ten years, ending in 1993, during which John Akers as chief executive, despite (or partly because of) one reorganisation after another, led the company down a slippery slope. We will probably never know what efforts, if any, Watson made to avert that slide: but Akers for long seemed to be sacrosanct, no matter how convincing the evidence of failed leadership.

Part of the problem is that appointing a CEO is an act of very substantial faith, requiring true believers who thereafter cling irrationally to their beliefs. Right now I have no idea whether appointee Jeroen van der Veer is the right man to lead Shell into a new era. But I would be surprised if the non-executives who voted for his appointment know much more. And I will be down-right astonished if van der Veer (or anybody else, for that matter) can handle the massive burdens placed on his shoulders in these intriguing words:

TO CRACK THE CONSERVATIVE BARRIER PEOPLE NEED TO BE PERSUADED THAT 'WHAT WE'RE DOING NOW' MAY NOT BE WORKING SO WELL AND MAY EVEN BE WORKING BADLY: THAT UNLESS TOP MANAGEMENT EMBRACES CHANGE, IT IS COURTING FAILURE: THAT OTHERS, BOTH INSIDERS AND OUTSIDERS, KNOW BETTER THAN THEY DO. MUCH EASIER TO BELIEVE YOU AND YOURS ARE BEST

'The chief executive will be empowered to drive strategy implementation, operational delivery and cultural change. To reinforce the focus on delivering the Group's strategy and priorities, management will accelerate the existing programmes of standardising systems and processes and establishing global businesses and global operating models'.

WHO DRIVES STRATEGY?

Key aspects of this job description raise more questions than they answer. Van der Veer is to drive strategy implementation, but just who devises the strategy? The second sentence implies that a strategy and priorities already exist. Were these threshed out by the previous twin boards of directors? Is strategy now in the hands of the newly unified board? If so, does anybody believe that a huge committee of fifteen people, ten of them non-executive, can ever shape a corporate strategy, or do more than merely rubber-stamp somebody else's proposals?

SHELL'S NEW CEO IS EMPOWERED TO DRIVE STRATEGY IMPLEMENTATION. BUT WHO WILL DEVISE STRATEGY AND SET PRIORITIES? WAS THAT THE TWIN BOARDS IN THE PAST? WILL IT BE THE NEW UNIFIED BOARD OF THE FUTURE? BUT CAN A COMMITTEE OF 15 PEOPLE EVER SHAPE A CORPORATE STRATEGY? THE TRUE STRATEGIC POWER MUST LIE WITH THE CEO AND HIS THREE BARONS

The true strategic power must surely lie in the hands of the executive committee headed by van der Veer and consisting of four top managers: the chief financial officer and three barons (or rather two barons and a baroness) who divide the operating interests between them. This condensed version of the now abolished 'committee of managing directors' has similar faults. Its three baronial members will be largely preoccupied with the many operational concerns of impossibly wide areas of global responsibility. That fact of life must affect van der Veer himself, who isn't likely to have much time left over for the amorphous business of 'driving cultural change'.

de bono
heller

Letter to Thinking Managers is written by Edward de Bono and Robert Heller and published monthly by Heller Management Ltd.

The address for all correspondence is 7 Park Place, Wadebridge, Cornwall, PL27 7EA
Tel: +44 (0)1208 812983
E-mail: heller@thinkingmanagers.com
Details of annual subscriptions to the Letter can be obtained from the above addresses.

Printed by: Quill Printing
17 Bess Park Road, Wadebridge, Cornwall PL27 7EA
Email: quillprinters@btconnect.com
Tel: +44 (0)1208 816120

That's been a hobby of top Shell executives for a long time - dating right back to the early Sixties mentioned earlier. This culture lust is by no means confined to Shell. But whenever chief executives mention cultural change, reach for your gun. Nobody knows what it means; nobody knows how to achieve it; and nobody knows how to measure its results. What you really want is to change people's behaviour, not culture. Then you might not find one of the world's oldest and often most successful multinationals falling so far behind - only getting round to setting up 'global businesses' and establishing 'global operating models' in late 2004.

As for standardisation of systems and processes, I was involved several years ago in a massive programme to provide a worldwide IT platform for the group. My role was to help train trainers, lecturing to those who would go forth to embed the new systems in the minds and practices of Shell people. Whether or not this would-be office revolution was concluded as planned, it must have left large gaps behind. Otherwise, why is standardisation so prominently featured on the late-2004 reform menu?

ETERNAL GIVEAWAY

That's the eternal giveaway - when new policies are declared and implementation decreed, only for the same bad practices to survive after many years and immense numbers of manhours. Peter M.Senge of MIT never wrote truer words than these: 'however hard you push, the system pushes back harder'. During John Akers' long and losing struggle to reform IBM, he once got 'goddam mad' and declared that 'Everyone is too comfortable when the business is in crisis'. That's when the management inflexion point is passed - when the intensity of the crisis is hidden from people by the comfortable corporate ways and the familiar system.

How can people be made more uncomfortable? There is no substitute for rigorous efforts to unearth the truth telling what those who work for and do business with your company truly feel and think about its goods, services, people and performance. That truth, though, only starts to add value when converted into action plans which aim at correcting the negatives revealed (they will be abundant) while exploiting and enhancing the (invariably fewer) positives.

Action plans, as the words say, demand action. So each plan must be clearly allocated to responsible people with whom a tight, tough timetable is agreed and whose progress is efficiently monitored. The chief monitor is the CEO. But the beginning of wisdom is to abandon the blind faith that he or she can do it all.