Management Lessons from Modern Wars

by David Newkirk and Stuart Crainer

The former British prime minister Harold Macmillan was once asked what made his job most difficult. "Events, dear boy, events," he replied. In this age of information overload, events befuddle and bewilder leaders more than ever. From battles in foreign countries, to explosions in space, to CEOs' defense of their honor in court, events are relayed to our television screens and computers in real time. Transmission and production delays in the media once allowed time for editing and perspective. Today, news is unfiltered — and rat-a-tat rapid. There are few guidelines (let alone rules) to help senior executives understand how to manage the outflow of information — or assimilate the avalanche coming in.

The best practices for managing information may lie not in business, but in the military. Long a supplier of metaphors and guidance for grappling with strategy dilemmas, the armed forces are also showing business leaders how to manage real-time information.

The war in Iraq illustrates both the problem and the solution. Where the military once could hope to control the flow of information, in Iraq it could only respond. In contrast to earlier wars, when military censors controlled the coverage of war correspondents, in Iraq, reporters were embedded with American and British forces. Other journalists roamed the countryside independently, out of reach of any public relations control. Their unfiltered stories were dramatic in their immediacy, but, as the broader picture became clear, the initial conclusions often proved to be overblown or plain misleading. The continual rush of breaking information often produced emotional, incomplete reporting.

The Iraq conflict showed how the very character of information is changing. Traditional war reporting was built on distilling various officially endorsed sources of information and combining the result with observation (if available) to establish the truth of the situation — the first draft of history. The new form of war reporting catches events at their source, when they are still history's raw material. The earlier robust reporting has given way to what could be called brittle reporting. The result has been wide and unpredictable swings in public sentiment, compounding the government's challenge of building support for the war.

Businesses today must contend with similar issues. Business reporting used to consist of relaying the publicly released information of publicly traded companies. In an era when share-price growth was incremental and steady — and investors relied largely on dividends — there was little competition among media, and little pressure on most companies from unanticipated events. With changes in investment patterns, pension funding, and communications technologies, that comfortable predictability is now nothing but nostalgia. Investors can choose from an ever-growing array of information providers and channels, all of which are deeply competitive. Reporters increasingly are "embedded" in companies and industries. Because they have close relationships with senior executives, securities analysts, and industry observers, journalists often report unprocessed breaking news, rumors, and speculation from the front lines.

And that's only the official media. The Internet offers a world of opportunities for people with an ax to grind. Discussion boards on individual companies react instantly to news and rumor. Web "blogs," linked to one another, spread the word, good or bad. This technology and these forums are available to anyone — free of charge. Participants can even include current and former employees of the company under discussion. Anybody can report or distort "news" about a company. Then it can be commented on endlessly, before the morning newspaper hits the porch.

New accounting practices and financial disclosure mandates compound the problem of free-flowing information. Companies and executives are under pressure to be transparent in all of their dealings. In the United States, the Securities and Exchange Commission demands that material events be reported immediately and widely. Managers, no longer able to control the flow of information, can only react to it. As they gather their wits, markets are already responding. An erroneous report — or, indeed, an accurate report — on an obscure business television channel can affect a company's stock price immediately.

The military appears to be more keenly aware of these trends than is the corporate world. The Iraq conflict was the first fully IT-enabled war. Instant firepower was matched by instant communications and instant interpretation. The business lessons from this military experience will be absorbed over the coming years. Some are already clear.

First, the military has accepted the inevitable and invited reporters into its vehicles and tents. Information can't be suppressed, and attempts to suppress it reflect badly on the organization involved. The lesson for companies: You can't resist the pressure to be open, so don't try. People — whether analysts, journalists, investors, employees, or members of the public — have high standards and increasingly consider the ability to know everything, as quickly as possible, to be their right, an entitlement rather than a luxury.

Second, the Pentagon used daily briefings, broadcast live, to put the scattered pieces of embedded-journalist reporting into context. Even though that context could be disputed, it was still the earliest, most

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robust, and best-integrated message available. Corporations, too, must learn to manage understanding and expectations, to paint the bigger picture, with similar confidence.

Third, the U.S. government managed its communications effort from the very top. It appointed Brigadier General Vincent Brooks, one of its brightest officers, to deal with daily briefings at Central Command headquarters in Qatar. In Washington, the secretary of defense and chairman of the Joint Chiefs of Staff held almost daily meetings with the press. Inside companies, corporate communications and other public relations functions — focused internally and externally — are gaining influence and stature. This must go further: Chief communications officers ought to be part of their companies' leadership teams, and senior executives must become skilled communicators.

Perhaps the most important lesson from the Iraq war is that managing real-time communications is as important as managing real-time processes. Communication is moving from being a peripheral, specialist responsibility to being an essential and integral element of corporate leadership. No matter the organization — government, business, nonprofit — the roles of professional communicators who lead communications functions are being reinvented and reinvigorated. As the Iraq conflict proved, they hold the power to wield crucial offensive and defensive strategic weapons for converting information into understanding. +

The Economics of Aesthetics

by Virginia Postrel

During hard economic times, you would expect consumers to look for bargains and be less concerned with amenities — and companies to respond with low prices and plain products and services.

So why is McDonald's adding "premium salads" with a recommended price of $3.99 — $2.99 more than its standard side salad — and arugula in the lettuce mix and Newman's Own dressing on the side? Why is Schlotzsky's redecorating its sandwich shops, adding stone and exposed brick, warmer colors, and comfortable couches? Why is the scent of fresh-baked loaves drawing customers to Panera Bread restaurants, where sales are expected to top $1 billion this year? With fast-food joints offering bargains for a buck, why are diners turning to "fast casual" restaurants, where the typical tab runs $7 to $9?

These companies have discovered what Starbucks learned long ago. Nowadays, customers don't want just fuel. They want pleasure — good food in an aesthetically appealing environment.

That's why, faced with lagging sales, Schlotzsky's invested in the look and feel of its stores. "We tried to elevate the experience to that of the quality of the food," designer Santiago Crespo told *Nation's Restaurant News*, adding, "It's not just about the food. It's about how you feel there."

Competition and a slow economy may drive down prices, but it also raises expectations — not just for service, function, and reliability, but for sensory experience. "Look and feel" increasingly drives economic value. Businesses today face an aesthetic imperative. Style can no longer be an afterthought. It has become a critical source of product identity and economic value. The desire for interesting, enjoyable, and meaningful sensory experiences is everywhere.

Starbucks is to the age of aesthetics what McDonald's was to the age of convenience or Ford was to the age of mass production. It's the touchstone, the pioneer others seek to imitate.

"Every Starbucks store is carefully designed to enhance the quality of everything the customers see, touch, hear, smell, or taste," writes Starbucks Chairman Howard Schultz in *Pour Your Heart into It: How Starbucks Built a Company One Cup at a Time* (Hyperion, 1997). "All the sensory signals have to appeal to the same high standards. The artwork, the music, the aromas, the surfaces all have to send the same subliminal message as the flavor of the coffee: *Everything here is best-of-class.*"

For businesses, aesthetics is not a matter of esoteric art theory. It's the way we communicate through the senses, the art of creating reactions without words. Aesthetics is the way we make the world around us special. Successful businesses understand that aesthetics is more pervasive than it used to be — not restricted to a social, economic, or artistic elite, or limited to only a few settings or industries, or designed to communicate only power, influence, and wealth.

Formerly bland malls try to emulate the sumptuousness of upscale hotel lobbies. Well-designed restaurants extend their attention to look and feel into their restrooms. As suburban tract homes routinely incorporate granite and marble (whose prices have dropped because of new supplies and fabricating equipment), hotels must follow suit.

Aesthetics is not just for places. Computers, for example, all used to look pretty much the same. Now they, too, can be special.

The drive for aesthetic value is creating opportunity throughout the supply chain. "Aesthetics, or styling, has become an accepted unique selling point," says the head of GE Plastics' global aesthetic program.

At the GE Plastics design center in Selkirk, N.Y., customers' industrial designers and marketers brainstorm and develop new products, ranging from razors to car bumpers, inspired by new materials. Since 1995, GE Plastics has introduced 20 new visual effects. Its heavy-duty engineered thermoplastics can now emulate metal, stone, marble, or mother-of-pearl; they can diffuse light or change colors depending on the viewer's perspective; they can be embedded with tiny, sparkling glass fragments.

GE experts say they listen to their customers "talk about their dreams." One engineer from the Japanese electronics manufacturer Kyocera told technicians he wanted a "more masculine" design for the company's new mobile phone. That's how the trim on the phone changed from silver to gunmetal gray. "I figured they would look at me as if I was nuts," he told a reporter. "But they didn't. They came back a few minutes later with exactly what I wanted."

Style can no longer be an afterthought. It has become a critical source of product identity and economic value.

Look and feel doesn't trump function, of course. Some consumers may prefer mobile phones with a masculine look, whereas others want something cute. But everyone expects the phones to work. Aesthetics is critical today not because other factors don't matter, but because competition has pushed quality so high and prices so low that style is often the only way to stand out.

To turn aesthetic pluralism into an opportunity, hard-nosed engineers, real estate developers, and MBAs must study what consumers value about look and feel — not prestige but enjoyment, not conspicuous consumption but personal meaning. A fancy label isn't enough. Even luxury brands like Viking stoves are prestigious not because they're expensive, but because of the sensual pleasures they offer. "Sometimes, I turn it on just to feel its power," says a Viking owner. Another compares the stove to a "painting that makes the kitchen look good."

Aesthetic plenty creates new challenges for companies. The more they incorporate aesthetics into their products and services, the higher customers' expectations become.

To keep its stores distinctive and fresh, Starbucks has scores of designers on its staff. Yesterday's cutting-edge restaurants, from TGI Friday's to California Pizza Kitchen, are today's standard suburban fare. Like every other measure of quality, aesthetics offers innovators a short-term advantage. But in a competitive market, investing in aesthetics isn't a sure route to profits. It's a cost of staying in the game. +

The New Leadership: Spirited and Spiritual

by Klaus-Peter Gushurst

The New Economy as we knew it in the 1990s brought much that was new and refreshing to work — casual office culture, enthusiastic employees, nonhierarchical leadership principles. It also led to excesses (on-site personal fitness trainers, luxury cars, stratospheric salaries for unseasoned managers, stock options for everyone) that topped even the avarice of the 1980s.

That party is over, for now. Internet entrepreneurs (the few that are left) are more restrained. Corporate leaders are reverting to classic styles of leadership. In Europe, CEOs such as Gunter Thielen of Bertelsmann AG and Jürgen Dormann of ABB Group are concentrating on basic tasks: business and cost consolidation, reorganization, and shifting of strategic priorities.

Does this imply that the New Economy managerial style is appropriate only during boom times? Is command-and-control the normal leadership standard?

The truth is, leadership styles are always evolving, with newer elements complementing more traditional ones. Increasingly, senior executives, even entire corporate cultures, are combining classic leadership values, such as discipline, focus, and execution, with more contemporary values, including openness, a greater emphasis on the quality of communication, and naturalness. This bodes well for the future of all companies.

In many ways, it's unsurprising that the integration of a new, younger generation of leaders into archetypal industrial enterprises is producing new leadership methods. It remains to be seen, though, whether this trend will include continued appreciation for one of the most beneficial shifts in business culture to occur during the 1990s — a greater tolerance and respect for expressing emotion and personal values, even spirituality. As Anselm Grün, a German Benedictine friar who is the business manager of the Abbey of Münsterschwarzach in Germany and an author of many books, writes: Only one who "is able to find his peace inside himself, and in God, may create an atmosphere of peace around himself, making employees feel well and enabling them to enjoy their work." Grün, who oversees 20 companies owned by the Benedictine order, is also an acclaimed writer in Germany, with a strong following among German CEOs.

Entire corporate cultures are combining classic leadership values with more contemporary values, including openness.

Another clergyman, American Matthew Fox, has preached similar themes to business executives. A former member of the Dominican order, Fox now is an Episcopal priest and founder and director of the University of Creation Spirituality in Oakland, Calif. In his book *The Reinvention of Work — A New Vision of Livelihood for Our Time*, published by HarperCollins in 1994 (before the exuberant half of that decade), he wrote: "Perhaps this reinventing of the *quality* of the workplace will also contribute to the reinventing of the *quantity* of work available. When workers have integrated spirituality with their work, their values, their creativity, addictions such as overwork and the practice of overworking employees might give way to more shared work."

Neither Fox nor Grün would argue that the restlessness and tempestuousness characteristic of so many New Economy managers is an appropriate leadership style for most companies. Indeed, many of the companies led by such executives discovered that you can't be innovative and effective if you're always at the mercy of your passions. Creative free spirits must also be productively guided by discipline, purpose, and accountability. "Be able to lead yourself before you lead others," Grün writes.

Leading a company must be more than a hobby, and certainly more than fun. Leaders must demonstrate realism, maturity, knowledge, and a little wisdom. "A distinguishing mark of a ripe human being is his sobriety," the sixth-century monk St. Benedict pointed out. He went on: "Sober is the one who sees things as they really are, not as he would like them to be." The past years have proven our fateful tendency to cherish illusions about our economic reality. We can only hope that sobriety is now molding the thinking of future managers.

In these times of consolidation, recession, and scarce funds, nobody should underestimate the importance of combining passion with patience and professionalism. +