

THE SMELL OF THE PLACE by PROFESSOR SUMANTRA GHOSHAL

Transcript



Individuals do not change fundamentally in who they are, without a very serious personal crisis of some kind. But the conclusion again, or for us perhaps the key conclusion, is that it's a wrong question to ask.

Revitalizing people has a lot less to do with changing people and has a lot more to do with changing the context that companies - that senior managers – that people in this room - create around their people. Now *context*. Some manager called it *the smell of the place*.

It's a hard thing to describe. And then let me try to describe it the best way I experienced it; to my sort of personal experience if you wish. I teach at the London Business School. I live in London and have done so for the last year and a half. Before that I lived in Fontainebleau in France for about eight years. But one look at me and then one sound of my accent and you know I do not come from either of these two wonderful places in the world.

I come from India, from the eastern part of India. My hometown is the city of Calcutta. So every year I go to Calcutta in the month of July. That's the only time when my children have a summer vacation. Now Calcutta is a wonderful town in winter, autumn and spring but summer...well, the temperature is around 102/103, the humidity is about 99 percent and I feel very tired most of my vacation. I'm tired, I'm indoors. As I live in Fontainebleau, I genuinely challenge you to go to the forest of Fontainebleau in spring. Go with a firm desire to have a leisurely walk and you'll see you can't. The moment you enter the forest, there is something about the crispness of the air. There is something about the smell of the trees in spring. You want to jump, you want to jog, you want to catch a branch, to run, do something.

And that, I believe, is the essence of the problem most companies - particularly large companies. They have created downtown Calcutta in summer inside themselves and then they complain. They say "you know you are lazy" and "you don't take initiative" and "you don't do take cooperation". "You are not changing the company."

This is not about changing me. I have a lot of energy in spring in Fontainebleau and I'm a bit tired in summer in Calcutta and that's the issue.

To change ultimately beyond all these abstractions of strategy, of organization of processes. At the end the issue is *how do we change the context?* How do we create Fontainebleau forests inside companies? Now what's the typical context. Typical may be too strong a word, but what is the context that you find in many companies? Not from their executive level, where most of the people in this room sit, but from the perspective of this frontline person, the salesman in Lyon. Top management creates strategy.



But how does it come down to this frontline person? To me, the salesman in Lyon. Constrained. It tells me about my product, my customer, what I can do. It's a box of constraints. The smell. Try to relate to that metaphor. We all see it. We enter a place. In the first five minutes you get a smell. You get it in the hum of people, you get it in the quality, the color. The smell is constrained. Compliance.

Companies create this elaborate infrastructure of systems. Planning systems, budgeting systems, financial systems. All of it boils down by the time it travels down to me. The smell it creates for me is compliance. I got to comply; control my relationship, not just with my boss but with the entire management. Infrastructure is one of control. It exists to control me and finally *contract*.

We repeatedly use the word. You know your job is a personal contract. Relationship with the company is a contract. Budget is a personal contract. A rise is a contract.

So constraint, compliance, control, contract. That's the smell we create.

That's what what I live in. And then we say 'you know you've got to proactively create change', 'you have to take initiative,' 'you have to cooperate'.

Where are you going to get those behaviors? What we found in our research on the other hand is a few companies that have created an environment that we describe as the dimensions of stretch, discipline, trust and support.

Now let me take a minute or two to explain them. Top management does not create this strategy that boils down as constraints, but rather creates an exciting set of values, an aggressive ambition. All of which create the smell of stretch. Not stretch 'we want to be a billion dollar company or anything', but stretch in the sense that every individual, all the time, is trying to do more, rather than less. Not compliance, or all these systems that create compliance. But discipline, embedding norms of self-discipline. And you can see that in companies. Today behavior is shaped by these embedded norms of self-discipline. Self-discipline is, yes, it's meeting the budget, but it's much more. It's where a meeting that starts at 9, everybody is there at 9. It is where people collectively agree to a decision in a management committee, even if individually you disagree. You do not start challenging that decision or unraveling it immediately outside in the corridor. At Intel you see this norm: Agree or Disagree, but commit. Yes, people debate, people argue, but in the end the decision is taken and then people agree or disagree but they commit. Self-discipline.

Also not control but support. The whole role of senior management changes, where they are not seen as the exercisers of control but as those who exist with one purpose only. Which is to help me win, by access to resources, by coaching, by guidance, and finally not contract, but trust. And trust, more than this very contractual sense in which we use the word trust. Trust in the sense that says if you carry that card - I may be in Australia, and you may be in the States - I may have never met you, but the fact that you carry the card is good enough for me to let go of the safety of business as usual and fly knowing that you will be the safe pair of hands at other end. So stretch, discipline, support, trust.

And I'll invite you, don't take those words, don't intellectualize those words. But try to sense the smell that can be created if those are the norms of behavior.

And our research says two things:

1. It *is* possible to create that smell in companies. There are companies and of the companies that were part of our sample, 3M is one example where a management can create the smell and protect it over long periods of time. That's assertion one: it is possible to do it and protect it.
2. It is also possible for a determined management that has inherited more of the downtown Calcutta in summer, to convert it to do the Fontainebleau forest. To that new context. We have seen companies where it has been possible.

And the statement that we would like to make is ultimately “what's the test of quality of management of a company?” Performance, we know, is a very noisy measure. This, to our mind, is a real test of quality of management. The context that managers create that shapes the behaviors of people creating the stretch, discipline, trust and support.