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Avoiding the Smart Talk Trap

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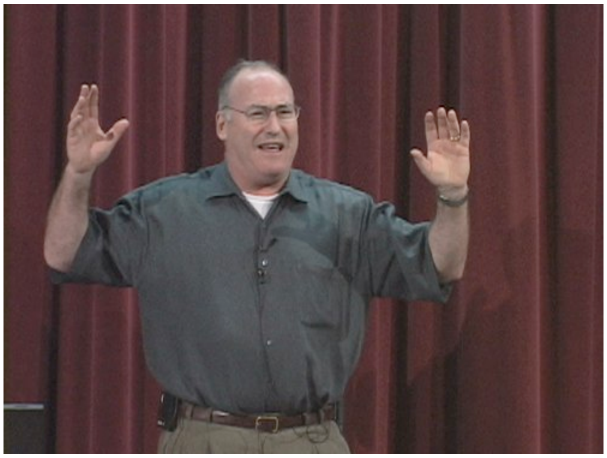
Sutton presents three tips for avoiding the common problem that companies face when they talk about creativity but don't implement it, including making sure the people in senior management know the business, and simple ideas are easier to execute.



Transcript

And let me talk about three especially important ideas for avoiding the Smart Talk Trap. The first one is, although I'm a fan of ignorance in the right situation, I'm not a fan of ignorance in terms of putting people in senior management positions. It actually turns out--and we actually have some quite interesting suggestive quantitative evidence now as well, that it actually turns out that when people understand the work they are managing rather than having some creative, charismatic CEO comes from another industry, for the most part, it actually pays to have somebody who understands the industry in the way the organization works. And I'll give you two examples. One is George Zimmer and the Men's Warehouse. George Zimmer might be sort of almost like a comical figure and he's the guy who's on television. He says, "I guarantee it." George Zimmer is actually dominating with his Men's Warehouse organizations, a declining industry. I mean, hardly anybody buys suits anymore, at least in Silicon Valley. In other places, they do. But in Men's Warehouse, it's an organization that's essentially designed to sell people things they don't want to buy, and they don't want to be there.

And on the backs of that, it's been very successful. And it's no accident that George Zimmer's father was in the clothing business and also invested in his initial business. Another example is Don Petersen at Ford Motor Company. When Don Petersen was brought in, and this was in the late '70s, the Ford Motor Company, they were on the verge of declaring bankruptcy, they were in enormous trouble, and as Don Petersen said, they were so desperate they put somebody in charge who actually knew something about cars. And in fact, there's a story he told my co-author, Jeff Pfeiffer. So he was at his first top management team meeting where he was CEO, and after about 90 minutes, he made a comment to the top management team. He pointed out that nobody had used the word 'car' or 'truck' in the first 90 minutes, and maybe that was part of their problem. And, in fact, if you look at Ford Motor Company, it's sort of deja vu all over again. They had the same problem again. They brought in this guy, Jacques Nasser, who was distracting them again.

They got rid of Jacques Nasser, and now Bill Ford is focusing on cars again. He's a car guy and they seem to be coming back some. So it's one of those things that's incredibly obvious that doesn't happen. And then there's the question: so what happens if you bring in a CEO or you're brought in as a leader to run an organization that you don't know anything about? Well, a good interesting case is what Bill George did at Medtronic. Bill George is one of those good-to-great CEOs in Jim Collins' book, and he brought--I'm sure he didn't do it alone, but he brought Medtronic from a $2-billion to a $60-billion company. If you talk to Bill George, what he'll tell you is the first nine months he was CEO, since he didn't know anything about the medical device business, he spent 50% of his time watching surgeons put in Medtronic devices, asking them questions, so he actually learned something about the way that the core part of the business works. The second notion is that simple ideas are easier to execute. And Steve Jobs, another very controversial person in Silicon Valley, sort of interesting that when he came back and took over Apple in 1997, this is just a partial list of some of the hardware that was floating around. In fact, when I show it to Apple people who were there, they'll start listing it off. The list is actually about twice as long as this, plus there was a huge amount of software that was even worse.

And what Jobs did in his usual subtle fashion was, within one year since--as the question said, customers can figure out the difference between like a Performa 6500 or a 4300, they couldn't even tell their friends which one to buy, within one year, he got rid of everything and went to a simple 2x2, which is laptop/desktop home/office they have more or less followed ever since. This is a footnote, but this is also a result of having an organization where there's a bunch of coalitions that have medium power. That was one of the problems at Apple especially during the Sculley days, and to some extent, Gil Amelio. They had a bunch of sort of medium power coalitions where everybody could sort of get part of what they wanted instead of having a whole strategy. And then the last point, we talk a lot about charisma and how important exciting, charismatic CEOs are. It isn't just Jim Collins' book. There's other research that suggest that having an exciting, charismatic CEO, although helpful at times, at least for short-term gains, is not always all that it's cracked up to be. And I'm going to quote my colleague, Charles O'Reilly. Charles O'Reilly has this argument that smart leaders are exciting because they're always talking about different ideas. They talk about every new idea.

They seem they're always exciting because they always have a new idea. But his argument is that wise leaders are boring because they say the same thing over and over and over again until it's done. Jack Welch is somebody who had a lot of ideas I actually don't like; I can show you empirically we're actually probably wrong. But one thing Jack Welch was good about doing was making very clear to his people that we're just going to do a few things and redo them until they're done. And when Jeff Pfeiffer and I were doing research for our book, "The Knowing-Doing Gap", we interviewed a guy named Jim Bailey who was head of the quality movement at then-CitiBank. It's now CitiGroup. And Jim Bailey was complaining that the reason they're having so much trouble getting traction in their quality movement was they weren't focusing enough attention on this, and this comes straight from the interview that we did with him. And you can sort of look at the list that at CitiBank at that time, you get certified in quality for five days of training. At GE, you take six weeks. If you look at some of the rewards and promotion at General Electric, 40% of your compensation was tied to hitting your quality goals, and you didn't get a promotion unless you hit your quality goals.

And at CitiBank it was completely unclear about the link. And finally the thing he was complaining about the most is you couldn't get John Reed and other senior executives to do symbolic things like teaching quality classes to show it mattered, whereas Jack Welch and other senior executives were constantly at Crotonville, their executive ed facility, actually teaching it. And sort of the lesson here also, as sort of an ending point, the thing about Smart Talk and Smart Action, the speed at which Smart Talk can happen is incredibly fast. I'm a professor, I can spew out all sorts of management practices, but when you look at the speed at which organizational change, including in the startup, can happen, it's going to happen a lot slower. And I think that was one of the problems that we had during the dot-com boom. During the dot-com boom, the talk, and often the misinformation, was going at an incredible rate, but the action could only happen so fast. In fact, I was just talking to Mr. Lee about a mutual friend of ours, Jorge del Calvo. He's a local lawyer. And Jorge told me this great line during the height of the dot-com boom, which was, that his definition of a dot-com CEO was the same as Mark Twain's definition of a gold mine, which is--if you remember that definition, it was "a gold mine is a hole on the ground with a liar sitting on top of it." And I think we were getting a lot of that sort of Smart Talk sort of stuff.

Anyhow. And we sort of figured out, I think it was the holes on the grounds that didn't have liars sitting on top of them that we're still sort of left with.