

CHANGING YOUR WAYS FROM THE BOTTOM UPWARDS

You can't turn round a rotten corporate culture by firing the odd wayward executive. Decentralised, localised communities are the real architects of change, Professor Costas Markides tells **HELEN POWER**.

IN SEPTEMBER 2008, WILD WEST banking brought the global financial system to its knees. Since then bankers have had four years to put their house in order, yet new scandals – such as the fixing of interest rates – have continued to dog them.

For Professor Costas Markides, who holds the Robert P Bauman Chair in Strategic Leadership at London Business School, this reinforces his thesis that bad behaviour by individual executives cannot be decoupled from a negative corporate culture.

"Investment bankers tend to be aggressive, shoot first and ask questions later," he says. "There's no doubt the incentive systems in banking are totally screwed up and we need to rethink them, but bankers who behave badly are just a manifestation of that," he says. "If I simply punish an individual without sorting out the environment, nothing will happen."

"In other words, if a bank gets rid of someone, his replacement will eventually start to display the same sort of behaviours unless there is a fundamental change to the culture."

Markides uses the insights from experiments in social psychology to show

that even the best person can behave in a socially unacceptable way given certain environmental conditions. He also believes environment is the key driver of positive performance, pointing to a US survey of star analysts whose work almost universally plummeted when they were headhunted by rival firms.

Here Markides – a football fan who follows Manchester United – turns to a sporting analogy. "Whenever we are successful we like to think, 'It's me, I'm great'. But look at Fernando Torres: when he left Liverpool FC for Chelsea, his performance plummeted.

"The Liverpool system was designed to support him as the primary striker and that's why he scored all those goals. Perhaps 30% of Torres' success was down to him, but 70% was the system he was playing in."

Back in the world of business, Barclays dredged the tiny pool of external executive banking talent this summer for a replacement for Diamond, but instead plumped for Anthony Jenkins, an insider with a relatively low profile who has promised cultural change at the bank.

So what, in Markides' view, makes a good leader? Well the good news for Barclays is that being successful – but relatively unknown – is a great start.

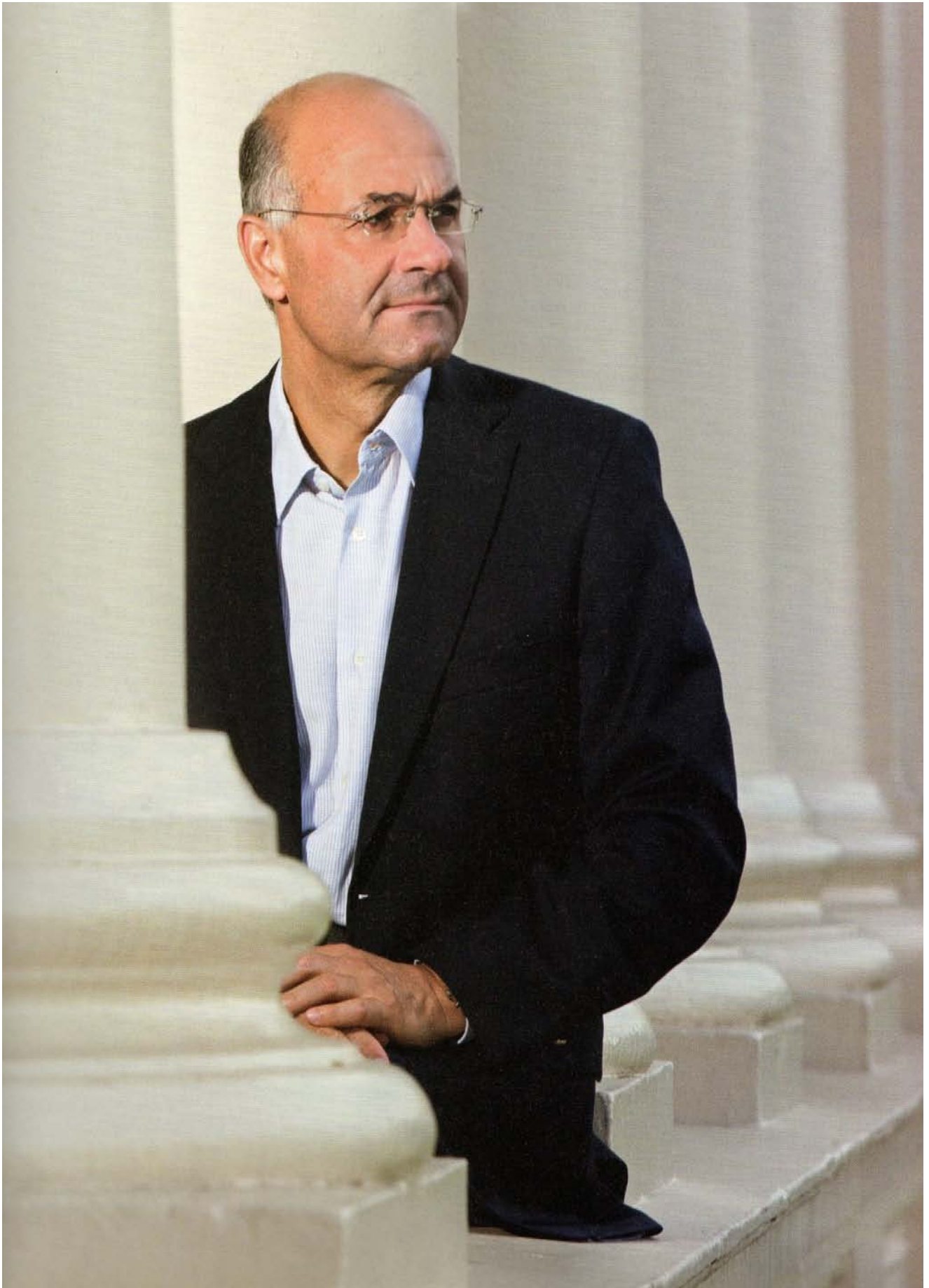
"Tell me a company that is doing very well, where you don't know the name of the boss," he says. "That's the person I want. I don't want a leader who is more important or more famous than his organisation. I want somebody who is comfortable enough to do all the right things without being on the front page of a newspaper."

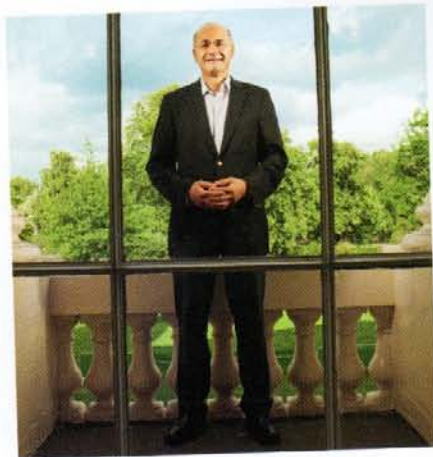
Moving away from the idea of top-down development, Markides' next book, *Architects of Change*, is about the shift towards decentralised organisational change.

"Usually when we talk about change, we are talking about what happens when a leader – in business or in in society – comes in and changes the status quo, galvanising everyone with a new vision and driving them off into the sunset."

Actually, he argues, most of the most sustained change in the world happens in a very decentralised way. Citing the example of supermarket own-label products, he argues that the move away from branded

Pillar of wisdom: Professor Costas Markides (pictured right), holder of the Robert P Bauman Chair in Strategic Leadership at London Business School, reckons that ordinary people can bring about radical social change





Many people are arguing for protectionism. That won't save the day. It may offer a temporary respite but it won't save the day

products has unleashed a retail revolution. "Who is this leader who introduced this fantastic change?" he asks. "There is nobody. There is no leader who did that."

As another example Markides points to the growth of home working, which was an unknown concept 20 years ago. By 2020, however, an estimated 80% of Americans will work from home for part of their average week.

"How did that happen? Most likely somebody somewhere said, 'I'll do it', then some colleagues followed suit, the company approved it and then a newspaper found out and called it the home-working phenomenon. Change happened in an evolutionary way."

IN *ARCHITECTS OF CHANGE*, MARKIDES examines how ordinary individuals – the architects – can harness bottom up change to tackle social problems.

"You have to design something that allows lots and lots of people to jump in and change things at a local level," he says, pointing to Bill Wilson, the American creator of the first Alcoholics Anonymous programme. The movement, which was founded in Ohio in 1935, provided an easy-to-replicate template that has been copied thousands of times around the world.

The book adapts some of the theories laid out by Clay Shirky in the ground-breaking *Here Comes Everybody* on the effect of the internet on modern group dynamics.

"The key is to design something that is scaleable without you being around to scale it up," says Markides, citing Canadian Physicians for Aid and Relief (CPAR) – an organisation founded by Canadian doctors to empower communities in Africa with

basic medical knowledge at a local level – as a good example.

"The question volunteers will ask is why the hell should they get involved? The idea has to be something that attracts millions of people to participate, either because they already think it's a good cause or because the architect of change grabs them emotionally.

"Because the idea is scaleable, the founder also has to let go. But you put parameters in place and values that you develop over time. You hope others in the chain have internalised those values by the time they go off to implement them."

Because the ideas in *Architects of Change* rely on volunteers, they have only limited application in business says Markides.

In his day job he advises companies in established industries on whether to embrace alternative low-cost models that have arisen out of the advent of the internet and other technological developments.

His western clients are also facing intense competition from emerging markets in the East. "China and India are taking some of our industries and the jobs that go to these countries – forget about it," he says. "Many people are arguing for protectionism. That won't save the day. It may give you temporary respite, but it won't save the day."

"Let's look at what happened in the US in the 1980s – a whole load of companies emerged that we'd never heard of, such as Intel, Google and Microsoft, and rejuvenated the US economy by creating radical new industries. Those industries are now being eroded by China and India so the only way is to create new industries."

Debt-laden Europe, he argues, lacks America's dynamism, but it does have highly educated populations and great educational institutions.

Which brings us the question, what makes a great teacher? Markides points to an American study by George Land that found 95% of three-to-five year olds were creative geniuses. By the age of eight, this had fallen to 32% and by 25 to a tiny 2%.

"What happened – I was born a genius, I'm now a jerk?" he asks.

"You go to school and what they primarily teach you is conformity. In my view a good teacher is one who, through creating an environment or through inspiration, lets the students learn how to think. They need to learn how to think, not what to think." ■