ONE:
UNDERSTANDING CLEVERS

The first and most obvious point to make is that clever people are not simply those with the highest IQ or the most impressive academic qualifications (although many of them do score highly on these two measures). Our conversations and observations have led us to develop a simple definition:

> **Clever people are highly talented individuals with the potential to create disproportionate amounts of value from the resources that the organization makes available to them.**

This second point is significant. There are many highly talented individuals who are capable of producing remarkable results on their own – that is to say outside of an organization. These stand alone clever people include artists, solo musicians, and other free agents. But they are not the people we are talking about. We use the term clever people to refer specifically to talented individuals who *need* an organization to achieve their full potential.

Precisely what they do, of course, depends on the context. In pharmaceutical companies they carry out scientific research and produce ideas for new drugs; in professional services firms they solve complex client problems; in ad agencies they understand customers, brand values and craft highly innovative

communications that connect the two. But whatever they do, they do it extraordinarily.

<A> Will power

Consider Will Wright. Intensely, energetically, intelligent, Wright is regarded as one of the pioneers and greatest talents in the computer gaming world. He is the man behind the original *SimCity*, which spawned an entire series of *Sims* games allowing players to create their own simulated towns, homes, and families. Technologically, aesthetically and commercially, *SimCity* is a place of beauty. The computer game, originally launched in 1989, is an urban planner's dream. It allows gamers to create their own 3-D cities and manage their growth and prosperity. For the city to flourish and grow, the player must manage its finances, environment and quality of life.

SimCity is a high-tech melting pot of ideas and images; a place where the traditional doll's house meets utopian urban planning, where every player is imbued with the all-seeing vision of Big Brother and the power of God – or, at least, the local mayor. There are no winners. There are no guns or evil enemies. There is only the player, a screen, and the power to shape imaginary families, households and towns.

SimCity was an instant hit for California-based Maxis, a subsidiary of Electronic Arts. It has generated a host of spin-offs. The *Sims* series has now sold many million copies. For Will Wright, fictional *Sims* opened real doors. We sat and talked in the studio he leads

in San Francisco where his new project, named *Spore*, was taking shape (it was released in September 2008).[1]

As Wikipedia – in many ways the self-appointed gospel of clever -- explains it: "*Spore* is a multi-genre massive single-player online metaverse video game. It allows a player to control the development of a species from its beginnings as a unicellular organism, through development as an intelligent and social creature, to interstellar exploration as a space-faring culture. It has drawn wide attention for its massive scope, and its use of open-ended gameplay and procedural generation."

It is, an executive confides, also: "audaciously ambitious and expensive." *Spore* essentially switches roles so that the players are actually creating the game. In most games the player experiences the world created by the artist, in *Spore* players create that experience. "We've had to make systems where all these things that are normally done by professionals for nice salaries are being done by the player so the player makes a creature and we have to work out how do you put skin on it, how do you surface it, what are the mechanics of that?" says art director Ocean Quigley. Spore provides the universe-in-a-box, your own personal galaxy, which you can create and influence. The humble player starts the journey as a single cell organism and travels an epic path from single cell to galactic god.

Little wonder perhaps that Will Wright refuses to confirm to geek stereotype. His inspiration for *SimCity* came from an earlier game that allowed him to create his own maps during development.

Wright found map-making both absorbing and intellectually satisfying. *SimCity* was born. At the time, Wright was reading a short story by Stanislaw Lem, entitled *The Seventh Sally*. In it, an engineer meets a deposed tyrant and creates a mini city with artificial citizens for him to oppress. The game was an instant hit with would-be tyrants and budding-utopians alike.

"If anything I'm more fascinated with reality than I am with games. Games just happen to be a convenient medium to express my fascination with reality. I think most game designers are a little bit of the opposite, they have a fascination with games and player experience and that's the primary motivation and then they look for a theme to wrap that experience around," Wright explains. "For them the play dynamic, the play experience, is almost the fundamental thing they are offering. I feel like I'm doing various paintings, caricatures of reality through the medium. For me the medium is more of a tool and less my primary art form. I really enjoy bringing the concept to life, off the page. I think that's more than anything else what I try to convey in the games."

For *Spore*, Wright cherry picked people from throughout the company. "The very best programmers are worth ten really good programmers," Wright calculates. "Programming is one of these things where there is an infinite number of ways of solving a problem. Typically there are a lot of straightforward ways, but hidden in there are a few very elegant solutions. If you can solve it in that elegant, simple way what you end up with is a simple piece of code that anybody can understand. The people that can dig in and find that needle in a haystack, that incredibly elegant way of

solving a problem, are perhaps ten times more valuable than those who go with the straightforward solution."

<A> The Wright stuff

What can we say about Will Wright? The first point is obvious: he is clever. Very clever. And clever in a way that is unique to him. You could scour the world (several worlds probably) and never find another with his perspective and creative talents.

The second point is that he has created enormous amounts of value for his organization, Electronic Arts. The *Sims* products have already earned millions of dollars for the company and the brand franchise is worth many millions more. (In 2004, EA reported revenues of $2.96 billion – which the company said could be largely attributed to the *Sims* series and five other highly profitable product lines. In 2007, there were still five *Sims* products in the top ten PC retail games titles.)[2]

The third point is that, despite his enormous personal contribution to the bottom line, and in spite of the fact that he needs the support and infrastructure that EA provides, his primary affiliation is not with the company but with the project or cause. "You say Electronic Arts, but to me that doesn't have much meaning," he admits. His own start up was one of those acquired by EA. As it has developed, EA has eschewed scale and centralization for a more flexible smaller studio format. "I think they are finding that distributed studios that have more autonomy are going to give better results," Wright observes.

This is highly significant. Whether he likes it or not (and many clevers don't like it), Will Wright has a symbiotic relationship with EA. Thanks to the huge success of *Sims*, Wright is the star in Electronic Arts' creative firmament charged with turning *Spore* into the next blockbuster. He is, to all intents and purposes, a leader with a team of around 100 followers.

Does Will Wright see himself as a leader? He shifts in his seat. Not uncomfortably but thoughtfully. "At some level, yes. I tend to see myself as one of the soft leaders. I'm more of a leader on the invisible wall chart and I much prefer to be that kind of a leader. I have been in roles where I was a manager and I had to write reports and I found it very wearing and taxing emotionally. I feel like I'm more like the champion of the design vision. In some senses I'm carrying that flag. Occasionally somebody will come in and say that flag should be a different color and we'll have an animated discussion and maybe we will choose to change the color or not. But I'm still the one holding the flag and when somebody wants to come up and ask about the flag I'm always the one who knows the current status and I'll be the guardian of when they change or edit the flag. It's my job to get the flag to this destination. Around me are people with real organizational skills who understand other dimensions that I am blissfully ignorant of, things like the budgeting and scheduling. I see leadership in different dimensions."

In order to do what he does, Wright requires the company's commercial and financial muscle – everything from budgeting and

scheduling to marketing and distribution. Without the EA machine, he could not bring *Spore* to the world.

The fourth point is that Wright's presence – and his almost legendary status in the industry – attracts other clevers and enables him to cherry pick the very best talent to work on his project. This makes EA a magnet for the next generation of clevers in a way that no amount of expensive advertising, outlandish salaries or corporate perks ever could. At a time when many talented computer gaming professionals feel that too much money is invested in creating movie spin-off products rather than breakthrough games, this is an important statement.

Allied to this, the fifth, and final, point is that by channeling Wright into what he does best – creating highly innovative new computer games – EA is putting down a marker in the industry. It says: this is a company that believes in its people; this is a company that invests in those people and takes risks in pursuit of truly innovative products. More than that, it is actually very intelligent management. The choice with someone like Will Wright is either to let him do what he wants to do, or to reduce his value by narrowly involving him in the next *Sims* product extension. The reality is that his talents are better deployed in pushing the boundaries of gaming, than cranking a commercial handle.

Of course, past success is no guarantee of future success. As many a Hollywood backer knows, just because a director's last film was a hit does not preclude his or her next from being a flop – and an expensive flop at that. The same principles apply to computer

games. Will Wright is the Steven Spielberg of his industry. That does not mean there is no risk attached to employing him. His high profile raises the stakes. To date the signs look positive.

At the time of writing, *Spore* had been named by *Time* magazine as one of its best inventions of 2008. It had also scooped a number of awards – including Mobile Game of the Year, Best Family Game, and Best Artistic Design in the IGN Best of the Year Awards. But even if his next project is a flop (unlikely but not impossible), then his contribution to EA and to the gaming industry will remain immense.

In fact, on the clever scale, Will Wright is probably as close as it gets to a perfect ten. Like him, the clever people we are concerned with in this book require a symbiotic relationship with an organization.

<A> Symbiotic men and women

"If they didn't need the organization, why would they be here?" one CEO asked us. "They might not feel that they need the organization and they might feel that they've got enough brains to do all sorts of other things but the fact is they stay. They feel they've got room to do what it is they need to do and that they might be vulnerable if they weren't in the organization. There is a protection element in the organization, even though they might hold it in contempt."

In organizational terms, the clever people we came across were needy. Understandably so. Looking at management innovation,

our colleague Gary Hamel mirrors some of our thoughts in a typically poetical and powerful way. "No single individual can construct a jetliner, build a robust computer operating system, or make an Oscar-winning movie," says Hamel. "Once unleashed, human effort must be coordinated, and coordination tasks come in varying degrees of complexity. The simplest involves merely pooling resources—assembling a busload of farm laborers, for example, and delivering them to an orchard that needs pruning. At the other end of the spectrum is the challenge of optimizing the performance of a highly complex production system that requires the sequencing and integration of a varied mix of critical inputs. Improving the yields in a semiconductor factory, or better managing risk in a global bank are examples of tasks that demand high levels of coordination."[3] Complexity on a global scale demands coordination and clever people – and inspired leadership.

Clever people need their organizations. They may not always realize this fact, or be especially pleased about it, but it is true nonetheless. Herein lies a paradox that is at the heart of understanding and leading clever people (more about this later). Unlike the traditional company-employee relationship, where the individual follower is more dependent on the organization than the organization is on him or her, the relationship between a company and its clever people is a kind of interdependence between equals.

The challenge for leaders is to create the organization of choice for these people. How would you lead someone like Will Wright? Fail to do so and you encourage them to walk into the open arms of

your competitors. Succeed and you tap into a vast reservoir of brilliant creativity and value-generation. Increasingly, you cannot afford to fail.

The medical director of a hospital put the leadership dilemma like this: “Do I tolerate the cardiac surgeon who occasionally lobs his toys out the pram, and is a complete pain in the ass, because he’s a fantastic cardiac surgeon? Or, do I say, we wouldn’t let a staff nurse on ward 22 behave like that; therefore, we’re not going to let you behave like that? And, my attitude is I forgive them more than I forgive other people but, in the process of doing so, every so often I remind them of this. It’s an honest relationship. There is a line and it’s important that they know there’s a line, because those sorts of people will push you and it becomes an intellectual exercise to see how far they can push you.”

<A> The rise of the clever economy

Of course, people have been talking about the importance of star performers -- and the shortage of such talent -- for some time.[4] But we believe the situation is now becoming more acute. Knowledge is not an isolated or nice-to-have phenomena, it is the essence of a myriad of jobs and the heart of modern national and corporate competitiveness.

“The world is changing,” Ruben Vardanian, founding president of the Moscow School of Management Skolkovo, told us. “The question for leaders is how to create a system to attract the very best people. Because the main fight of the 21st century is not about assets. The main struggle in the 19th century was about the land. In

the 20th century, it was about industrial assets and natural resources. In the 21st century, the main challenge is to attract the best people. Because people need to believe they want to work for you, that they realize they can achieve their potential and meet their personal aspirations within the company."

Vardanian encapsulates (almost) everything we are talking about. He was instrumental in building Troika Dialog, the largest private investment bank in Russia. He joined the company in 1991, aged just 22, became CEO in 1997 and chairman of the board in 2004. In 2006, he became the founding president of Skolkovo.

What was striking was how often leaders we talked to echoed Vardanian's sentiments. Some even matched his hospitality and personality. "We are in an industry where we have half the talent we need," estimated Bing Gordon of Electronic Arts. It didn't matter if they were hospital administrators in China or managers with American corporate giants like Cisco or Microsoft. No surprise, perhaps. Attracting talent has become something of a truism – like people being your greatest asset – but that does not make it any the less true. How many leaders and organizations can truthfully meet Ruben Vardanian's challenge? How many have people who really want to work for the individual and the organization? How many believe they can realize their potential and meet their personal aspirations within your organization?

This contemporary drama has important ramifications in three vital areas: economic; sociological; and organizational. Indeed, we believe these three strands are closely inter-connected.

Economically, intellectual know-how increasingly drives productivity, value creation and growth. We are moving from a mass production system where the principal source of value was human labor to a new era where the principal component of value creation, productivity and economic growth is knowledge. The scale of that transformation is only now becoming apparent.

In the industrial age the emphasis was on economies of scale – the idea was that bigger organizations could leverage their size to become more efficient. Today, for a growing number of companies, competitive advantage resides in the ability to *connect* ideas and know-how rather than simply achieving cost efficiencies.

Research by the consulting firm McKinsey & Company, for example, estimates that "tacit" jobs - work involving complex interactions and a high level of expertise - now account for some 40 percent of the US labor market, and a staggering 70 percent of the jobs created since 1998.[5] Forget McJobs, think clever jobs. A similar process is under way in other countries around the world. As companies become more reliant on their clever people, so the old rules of business are changing.

There are two clear implications of this change. The first is that intellectual capital – everything from patents and trademarks, to software and ideas -- has become a key source of value. The second is an increasing dependence within organizations on a small but growing number of clever people. Welcome (again) to the clever economy.

<A> Economies of ideas

The rise of what we call the clever economy is a phenomenon which recurred time and time again in our conversations with leaders and followers over the last five years. “There aren’t economies of scale; there are economies of ideas,” summarizes Werner Bauer, executive vice president, chief technology officer and head of innovation, technology and R&D, at Nestlé, the world’s largest foodstuffs manufacturer and the biggest industrial concern in Switzerland.

One of the most persuasive voices on the subject we encountered was Sir Martin Sorrell, chief executive of the world’s biggest communications services company, WPP. Martin Sorrell is as forthright as he is imposingly well-briefed. “The only reason for this company to exist,” Sorrell told us matter-of-factly when we talked at WPP’s London headquarters, “is to leverage economies of knowledge.” He paused, before adding: “One of the biggest challenges is that there are diseconomies of scale in creative industries. If you double the number of creative people, it doesn’t mean you will be twice as creative.”

Leveraging economies of knowledge is also high on the agenda of Franz Humer, chief executive and chairman of the Swiss-based pharmaceuticals giant Roche, which employs 68,000 people worldwide and sells its products in 150 countries. Humer and Sorrell are poles apart, in terms of their industries, styles and personalities. Yet, their comments to us echoed uncannily. “In my business of research, economies of scale don’t exist. Globally

today we spend $4 billion on R&D every year. But I could spend $9 billion and my research wouldn't necessarily be any better: it could even be worse. I could spend $2 billion, but I don't know which two billion to take out," mused Humer, echoing the fabled comment about an organization not knowing which part of its marketing was working. [6]

<A> Fast thirst

What Bauer, Sorrell and Humer are grappling with on a daily basis is a challenge that is central to economic and social progress in the 21st century: providing leadership to maximize human potential. The challenge is as old as civilization but the scale of the issue is new. Today, our knowledge base renews itself more quickly than ever before. It is more delicately poised, more dynamic and more lucrative than ever before.

Clever people are famous fast. Their impact is more profound and spreads quicker than ever before. The global economy amplifies their influence. It has a thirst for speed and a talent for magnification. Will Wright is a computer gaming brand in his own right. Jonathan Ive, the creator of the iMac, is (rightly) feted wherever he goes. Marc Jacobs at LVMH is garlanded with praise as the young designer who rejuvenated the Louis Vuitton brand. Think of Will Wright and the success of the Sims series – which is a truly global phenomenon. This simply would not have been possible 30 years ago. The good news about celebrity culture is that it makes celebrities out of clever people as well as Britney Spears et al.

Ideas, too, travel the world with unparalleled speed and ease. Ideas are unburdened by luggage and untroubled by customs formalities. Technological advances and the availability of ICT both within organizations and outside have dramatically increased the speed with which new ideas and knowledge spreads. Take a business book such as this. A book was once a one-dimensional slab of packaged words. Now it is a global product to be marketed, mined and maximized. Its contents will be available in a range of formats – an article, a book in a variety of languages, a chapter download from Amazon, a podcast, a videocast, an edoc, an internet TV program. The world of ideas is open for business.

And there are other important changes. Within organizations and society we can see the declining significance of hierarchy – as a means of getting things done in organizations and as an acceptable basis of authority. The old world was characterized by elaborate hierarchies, by more or less stable careers (for some, never for all) and by clear boundaries between organizations. Now, hierarchies in most organizations are becoming flatter, driven by the need for faster response times and by the competitive pressure to drive down costs. Hierarchies were not simply structural coordinating devices in organizations. Much more significantly, they were sources of meaning. As hierarchies flatten, the danger is that meaning – the *raison d'etre* of working life – simply evaporates.

<A> Clever moves

To this can be added incredible mobility – both geographical and social. When we run courses at London Business School or in Spain at IE Business School, they typically involve participants

from 20 or more nations. One inspiringly peripatetic executive we talked to was originally from Bangladesh but had then been educated in Canada. From there he had lived and worked in New York then Japan – learning Japanese along the way – and is now working in London, but would like to move to the West coast. Such peripatetic lives are no longer unusual. Global comes as standard.

This means that careers for clever people are not a predictable and lengthy climb through a single corporate hierarchy. They are far more likely to comprise a series of experiences, projects and assignments across and between many flat and flexible organizations – often dispersed around the world. For them a career is more of a *smorgasbord* than a *plat du jour* curling at the edges.

Our research shows that if you fail to grasp some basic insights and follow several broad practices, you will push your most valuable resources into the open arms of your competitors. As one anonymous HR director put it, "I am a master of the dark arts of retention. I know about deferred options, elaborate tax plans and all the paraphernalia of retention strategies. Let me tell you, none of these will work if the competition really wants your people. On the contrary, they will only stay if you can offer them a great place in which to express their cleverness and other clever people to work with." Even in companies that have high compensation strategies for clever people, good promotion prospects and exciting projects to work on, the difference between a high retention rate of the most talented and an average retention rate is how they are led.

In an era of employee mobility, if you fail to engage your clever people intellectually and to inspire them with an organizational purpose, they will walk out the door. Are you opening that door by not presenting them with the opportunity to grapple with challenging problems?

The final ingredient impacting on Planet Clever is the much commented on, but often elusive, search for work/life balance. People now demand a life as well as a career – not too much to ask when you think about it! They want freedom and flexibility rather than being shackled by organizational constraints. There is still a way to go. A regular stream of surveys reveals how people leave their imaginations and their happiness at home when they enter the workplace.[7] But the clever people we are talking about are not among them. They know their worth and expect to be rewarded accordingly. To a large extent, generous material rewards will be taken as given. More important will be the sense of fulfillment and achievement that they are able to achieve through the work itself and the recognition that accompanies it.

<A> Clevers make the competitive difference

It is worth, at this point, inserting words of caution. The clever economy is not a utopian capitalist idyll. It is true that a team of pharmaceutical researchers who discover a new drug can potentially bankroll the entire organization for a decade. But clever people also have enormous destructive potential.

This can take its toll. We asked one leader how long he had been in a particularly testing job leading a technology team. He replied: "Physical years, I've been here two and a half years now. Mental years 35. This is a beast to change, the challenges here are something I've never faced before. It is like turning the Titanic." (Muddling metaphors was the least of his worries.)

No one understands this dichotomy better than those who work in the academic world, which is both a source of brilliant thinking and also can be rife with political maneuvering and dysfunctional behavior. Leading academics is notoriously demanding.

Tracey Horton had a successful career in consulting with Bain & Company in the US. But she arrived as dean of the University of Western Australia Business School with a major challenge: to integrate the previously divided undergraduate and postgraduate management schools. She told us: "Highly talented people have the potential to create disproportionate amounts of value. They also have the potential to destroy disproportionate amounts of value. Sometimes individuals have egos such that they view their value as dwarfing the amount of value that others collectively offer and behave accordingly, with their own set of rules. It may be true that their talent is significantly greater than any other individual in a team, but a team is dysfunctional if that attitude prevails."

Academia is not the only place such destructive behavior can be observed. Sometimes clevers can be too clever for their own good – and the good of the organization and its leaders. Investments can go down as well as up. That axiom also applies to clevers. You can

invest in them only to see that investment go up in smoke. As well as creating huge amounts of value when they get it right, clever people can – and frequently do -- destroy huge amounts of value when they get it wrong. This can be bad for shareholders. It can also cost leaders their jobs.

We were reminded of this fact frequently as we were finishing this book. The much vaunted credit crunch morphed into a full-blown banking crisis, which then required a series of massive government bail outs. Yet even these could not prevent an economic recession – of uncertain duration. The clever bankers who created the subprime mortgage market don't look so clever now. Some of them have lost their jobs – as have those who led them. Some of them have lost their banks! But we are all paying the price for their cleverness.

"What Were They Smoking?" was an early headline in *Fortune magazine*. The magazine went on to observe that the losses incurred were: "Shocking, because a pack of the highest paid executives on the planet, lauded as the best minds in business and backed by cadres of math whizzes and computer geeks, managed to lose tens of billions of dollars on exotic [financial] instruments built on the shaky foundation of subprime mortgages."

Who were those math whizzes and computer geeks? Clever people, of course. But instead of creating value as they intended; they ended up destroying value on an unprecedented scale.

As these examples illustrate, even the cleverest organizations make mistakes. From media to pharmaceuticals, no sector is exempt. The British Broadcasting Corporation (BBC) is full of clevers but was caught manipulating audience phone-in competitions and even managed to misrepresent an Annie Liebowitz photo session with the Queen as a royal tantrum rather than a costume change. Several pharmaceutical companies have had to recall drugs and take massive losses – think of Vioxx and Opren. In fact, the cleverer they are, the harder they can fall. Think of Jerome Kerviel at Societe Generale. The actions of one clever person can decimate the results and standing of an entire organization – and even have an impact on worldwide markets. Lest we forget, Enron, too, was full of clever people.

Our experience suggests that there are lots of dysfunctional organizations full of clever people. We have worked with hospitals, consulting firms, legal practices, auditing firms and many other organizations where we have emerged shaking our heads at the sheer bloody-minded dysfunctionality of peoples' behavior.

What determines whether an organization is a hub of clever collaboration or a toxic talent pool? We believe the answer lies with the quality of the leadership and the sense of moral purpose that it engenders. Our research suggests that how clevers are led makes a huge difference to whether their unquestionable – and often unstoppable -- talents and energy are harnessed for good or allowed to fester. Time and time again, we have seen the difference effective leadership makes.

And we are sure that you, too, have observed this. You may have seen the difference a brilliant headteacher made to the performance of his teachers in your local school. Or how a well-led hospital dramatically improved on the quality of patient care. Or how a skilful chairman exploited the knowledge and experience of board members in a way that the predecessor had failed to do – with exactly the same personnel. Leadership counts.

So if, as Martin Sorrell suggests, the only reason for WPP and other organizations to exist is to leverage economies of knowledge, then the leadership challenge is to leverage the energy, inspiration, curiosity, and sheer intellectual chutzpah of clever people.

<A> Characteristics of clever people

The question is how do effective leaders make that difference? What is it that they do – or do not do – that channels the energy and ability of clever people in a positive direction – and one that creates value for all of the organization's stakeholders?

To lead clever people effectively, you have to do a number of things well. Chapter Two examines those elements in detail. Here, though, we want to underline some general points. The starting line if you are to effectively lead clever people is to better understand their key characteristics. Unless you recognize their cleverness you stumble at the first hurdle.

"What turns them on is to see what they've done in concrete results -- a product, a process -- the satisfaction of seeing their product or idea launched," says Werner Bauer at Nestlé. We asked Bauer what

clever people get fed up about? "The first is when you kill ideas immediately. You can kill a whole team by a few words. The other thing is if you don't give people credit. Normally, the truly original ideas are found at the bench; not in management. Management should always give credit back to the guys at the bench. Sometimes you don't see the good ideas on paper. You see them in the eyes of the people when they fight for an idea, the sparkling in their eye when someone comes to you and says, hey, shouldn't we do that?"

One of our interviewees Kamlesh Pande, vice president of innovation and R&D at Thermax in Pune, India has an impressive track record as a leader and a developer of clever people. He speaks with passion and has a deep regard for the qualities of his colleagues, but at their most difficult, he argues that clever people have the following characteristics:

- They take genuine pleasure and feel a sense of victory when they break any rule.
- They have a disdainful attitude towards non-technical people (in areas like HR and finance).
- They are over sensitive about the projects they work on. The result is that they almost never agree to kill the projects they know are not leading anywhere.
- They suffer heavily from knowledge-is-power syndrome and seldom share their knowledge or contribute to knowledge management systems.
- They are never happy about the review/evaluation process they and their projects are subjected to. However, if they are asked to come up with one that will satisfy a

majority, they are largely clueless.

Although extreme, to a large extent we agree with these points. We were also amused by Martin Sorrell's observation that "if you want to get people to do things, you always say the opposite. If I want people to go left, they will always go right. So I've figured it out that if I say go right, I'll get them to go left. Particularly in our industry, which is a creative professional services industry, there is a great difficulty in trying to get people to move in the same direction at the same point in time."

Even so, we felt impelled to develop our own clever identikit. Not every clever person has all of the following characteristics. Cleverness must always be contextualized. But, our research suggests that there are a number of important attributes of clever people. Though not exhaustive, we identified nine common characteristics:

1. Their cleverness is central to their identity. For clever people what they do is not some last minute career choice; it is who they are, rooted deep in their being. Louise Makin is CEO of the pharmaceutical company BTG; she has an MBA, an MA in Natural Sciences and a PhD in Metallurgy from Cambridge University. "The thing about experts is they *are* their work," she notes.

Listen to how people introduce themselves. Clever people will say that they're physicists, geneticists, film producers, software designers and so on. They do not say, "I work for Clever Inc." They are defined by their passion not their organization.

“In every organization I’ve seen it is the people who follow their passion who do best,” says McKinsey partner Suraj Moraje. “Their passion encourages followership among colleagues and can rally people around a cause. They excel at what they do because they’re in the bathroom in the morning thinking about what they’re going to be doing in the day, because they just love it.”

This means that clever people may become obsessive about their current project. It means everything. Of course, this may have personal and financial side effects. “Sometimes they don’t get the 80/20 rule,” Julie McEver laments. McEver -- a smart, MBA-educated American -- works with expert researchers in the London offices of New Philanthropy Capital. The company advises wealthy individuals on how best to make their philanthropic contributions. It is staffed largely with high performers from the top investment banks. In some respects, it’s the archetypal clever organization of the 21st century, servicing a new moneyed niche. “It’s hard enough to get my people to think about 100 percent, they’re working to 150 percent. They read every piece of literature about their topic, and that means pages and pages of government policy documents,” says McEver.

An unfortunate side effect of such obsession is that clevers find it hard to shut off – or to keep to a schedule if it means not finishing a task to their satisfaction. “You get some people who tell you their time lines and every time it shifts by two more weeks,” she says. “When I say that can’t be happening they look at me with blank stares and say why not?”

They say why not because clever people want to leave no stone unturned. They are perfectionists – even if their budgets have failed to cost out perfection.

The close association between what they do and who they are also means that clever people often see themselves as not being dependent on others. The leader must, therefore, start by acknowledging their independence and difference. If leaders do not do this, they fail at the first base. But, and it is an important caveat, the leader's job is to make them understand their interdependence. Recognizing the symbiotic nature of the relationship is critical to both the individual and the organization.

It can be a hard sell. Interdependence only goes so far. Clever people are so focused on their professional passion that the bigger picture can be immaterial to them. Clever people tend to be extraordinarily interested in whatever they are clever in. This can mean that if you try to explain where their part fits into the overall picture -- of how the users are going to use it -- they say, that's interesting, but why are you bothering me with it? The leader can end up constantly checking that people aren't creating incredibly elegant computer systems which are little or no use to the end user. With clevers, their own sense of beauty can become a money-consuming beast. They start off designing a cup and you end up with a tea set. "Creeping elegance!" snorted one CEO we talked with.

Another corollary of this identification with what they do is that making the leap to a more general leadership role is often highly demanding for clever people. They have a lot to give up and the career gains may not be immediately apparent.

Jane Collins, for example, qualified as a doctor and then trained to be a hospital consultant. She became a pediatric consultant at Guys Hospital, London, and then moved to the world famous children's hospital at Great Ormond Street where she is now chief executive. Great Ormond Street is the UK's national center of excellence in children's healthcare. It has over 300 doctors and 900 nurses and healthcare assistants who look after around 100,000 patients and perform over 500 heart operations on children every year.

We asked Jane Collins about leading clever people. "Well, I suppose I do understand them because I was one of them," she mused. "But very importantly, I realized on day-one as chief executive, I was no longer one of them. It was history. When I decided to become a chief executive, the thing which bothered me was giving up my identity of being a doctor. It is very deeply bound up with how you see yourself. Interestingly now, I rarely refer to myself as a doctor and that's happened quite quickly. I realized that I was not one of them, because when you are chief executive you are separate and, of course, you're separate from your executive really, in a way, as well. So it's important that you don't mind that."

Collins' insight is a good one. She recognized that in order to be an effective leader, she had to step away from her identity as a doctor. That is not to say that she is not still proud of her profession or that she does not use her qualification when appropriate. Rather, it is the fact that she is aware of the tension between being a clever and being part of an organization. Her awareness of the issue allows her to skillfully deploy her membership of the medical clever tribe to best effect. Yet, for many of the clevers we met the tension between their affiliation with their clever profession or discipline and their employer remained unresolved and uncomfortable. This can have a profound impact on how they relate to the organization.

Put simply, they are obsessive perfectionists by nature. This makes them resistant to relying on others – especially those in whom they do not recognize the same sort of cleverness. This engenders a fierce sense of independence – and even hostility – towards the rest of the organization. This in turn makes them resistant to any move that might threaten their clever identity. Of course, this includes the transition into a management or leadership role.

2. Their skills are not easily replicated. If they were, then they would not be the scarce resource they are. Once upon a time competitive advantage came because your product was slightly better or produced more cheaply. Now it often comes through the collective efforts of the people in your organization. The good thing about people – and the teams they create - is they are (as yet) impossible to copy.

You can practice 12 hours a day but you will not become an identical soccer player to David Beckham. Nor will you create a great team just by buying the best individual players. This was expensively demonstrated by the Spanish soccer team Real Madrid which invested many millions of euros in a team of *galacticos*, superstar players including Zinadine Zidane, Roberto Carlos, Ronaldo, Raul and David Beckham. The sum of the glittering parts was disappointing.

The knowledge of clever people is tacit. It is embedded in them. If it was possible to capture their knowledge within the organizational fabric, then all that would be required would be better knowledge management systems. It isn't. (In fact, as alluded to by Kamlesh Pande, one of the great disappointments of knowledge management initiatives to date is their failure to capture clever knowledge.) For the people we are talking about, a great deal of their cleverness resides not in *what* they know but *who* they know and *how* they know it.

Indeed, as noted above, their profession or discipline is typically a lot more important to many of them than the particular organization that happens to currently employ them. As such, they value professional networks above organizational networks – and hierarchies. They are more concerned about what their peers in another organization think of them than what their boss thinks.

The fact that they understand that their knowledge is both hard to replicate and a function of the professional networks they belong to is linked to the next characteristic.

3. They know their worth. Kamlesh Pande has extensive experience working in large Indian companies and is now responsible for a group of around 40 R&D people. The majority are postgraduates in engineering. Some are engineering graduates and there is a smaller number who have doctorates in engineering. Pande recounted a recent experience when he had interviewed a candidate for a job. The job applicant was from the same institute that he himself had graduated from and was clearly exceptionally talented. Pande immediately offered him the salary that he wanted -- around 25 percent higher than he would normally have offered – and invited him to join the company when he finished his PhD. The candidate agreed to join -- but on one condition. He insisted on having a look at his workplace to see how well equipped the lab was and meeting at least four or five people he was going to work with. Pande agreed and celebrated the fact that India is now producing people with such high expectations and standards.

Indeed, the tacit skills of clever people are closer to the craft skills of the medieval period than they are to the codifiable and communicable skills which characterized the industrial revolution.[8] This means you can't transfer the knowledge without having the people. Clever people know the value of this.

While some of the clever people we interviewed were reticent and unsure of the dynamics of their relationships with their leaders, many more expressed a sureness, a confidence in their own skills and their role in the organization. "I believe in openness," a senior scientist told us. "I think we all come to work here trying to do the

best job and sometimes we don't. This is what I really appreciate with my boss who's very open. He tells you, look, this was not well done, this could have been better, you go and try and improve. So I like to be led in a very open way in terms of where my strengths are, where my weaknesses are, and what additional support I need to get better. That's very important for me. The other thing is that I like people to give me room to do what I have to do. That is not something that happens overnight, but I've been around for a while and I understand the company. I know what I have to do."

Such sentiments represent an important power shift. Confident in their own worth and ability, clever people exert pressure on their leaders. Their skepticism about the value of leadership puts pressure on leaders to demonstrate their worth.

At the Formula One auto-racing team, McLaren Racing, managing director Jonathan Neale talks of the collective high standards, which apply to him as much as to the engineers and mechanics. "There is a lot of peer pressure here," he says. "Pressure in the organization is brought about by a sense of collective watching and responsibility, that the people who are held in high regard make a difference. Here, it's called getting the job done. That phrase is used a lot. 'That guy can't be relied on to get the job done', that's the worst thing you'd want to be said about you in this business. Can you be relied upon to get the job done?" Imagine if the people who work with you asked the same question. Do you know their likely answer?

The fact that they can be as blunt about their leaders speaks volumes about how clevers see themselves and their organizations. If as a leader you cannot be relied upon to help them get the job done, then why would they listen to you? Why are you even bothering them? Indeed, the fact that they are sufficiently engaged to challenge the leader is a good clue to whether the leader is doing a good job. This highlights another important characteristic.

4. They ask difficult questions. "My clearest indication that I have somebody who is really talented is that they will come into my office and argue with me on some issue where they are convinced they're right. The fact that they are passionate enough to sit and argue with me is a huge indicator," says Will Wright. "It doesn't matter how talented a designer is, if they can't come and sell me on their ideas it's wasted. I have others who come in and argue and they are always wrong! So, it's not a necessarily proof that they are a great design talent but I think it is a prerequisite."

Knowing your worth means that you are more willing to challenge and question. Clever people are often incessant interrogators of those who hope to lead them. But Will Wright's point is also deceptive. The fact that they are prepared to argue with someone of his stature is significant. It is a sign of respect for him as a leader. Not every leader can rely on retaining that respect. But if you have it, you should not expect an easy ride from the clevers.

There are many examples where the willingness to challenge assumptions and cherished beliefs has led to breakthrough innovations. As the political theorist Thomas Hobbes said when

asked why he gave short shrift to the literature: “If I had only read what others have written then I would only know what they knew.”

Clevers instinctively challenge what came before them. This isn’t pig-headed questioning for the sake of it. Indeed, clever people begin by questioning themselves. Rob Murray, CEO of Lion-Nathan, put it this way: “I came into my career, looked at the pyramid in front of me and wanted to climb to the top of that pyramid. Interestingly, having got to the top of the pyramid you reappraise yourself. These people, being really clever, have got to that question before I did.”

In the beginning is a question. Often it may seem a naïve question. Yet, this is another misleading aspect of dealing with clevers. They may seem organizationally inept, but they are effective at getting what they want. Think of them as people who are able to see how a game works and then use that knowledge to win. Naive bystanders? We don’t think so.

5. They are organizationally savvy. Says Will Wright: “In my experience clever people understand organizational dynamics, politics etc. You do not want to entirely isolate them from the political pressures, the disciplinary dynamics going on around them. If you are going to protect them you want them to be aware of that. We’re giving you some space here, we are holding back the managers and it’s costing you brownie points and if you do something really cool you earn brownie points. They very much understand the balance of payment and they are happy thinking in

those terms. In my experience they are very open to understanding that as a marketplace."

It is easy to assume that clever people are organizational innocents, too focused on their own expertise to play political games. The reality is somewhat different. They are human – and clever with it. Clever people will find the organizational context where their interests will be most generously funded. When the funding dries up, they have several options. They can move on to somewhere where resources are plentiful; or they can dig in and engage in elaborate organizational politics to ensure that their pet projects are indulged. This is a pattern we have witnessed over and over in academic and research-based organizations. They are expert gamers.

6. They are not impressed by corporate hierarchy (and they don't want to be led). The demands of the clever economy pose a leadership conundrum. We describe it as a conundrum for a simple reason: if there is one defining characteristic of clever people, it is that they claim they do not want to be led – and they are absolutely certain that they don't want to be managed.

As noted earlier, clevers are also more concerned with what their professional peers think of them than their boss. They have an undisguised disdain for organizational hierarchy as captured in the organizational chart.

Their indifference to organizational hierarchy has important implications for leading them. "You are only as good as your last

idea," summarizes Christina Kite of the technology company Cisco Systems. "It's all about influencing through skill and knowledge, not through title, especially in engineering. They don't give a hoot what title you have. You've got to influence them through your skill and your knowledge, and your brand, because they'll ask around. At the end of the day, they're a show-me-don't-tell-me group."

Louise Makin agrees. "You have to lead as *you*. You don't lead as the CEO," she cautions.

Another important point to recognize is that clevers will not follow a leader; the best leaders understand that all they can hope to do is to guide them – gently – in the desired direction. As Saul Van Beurden who heads the solution delivery center at the financial services company ING put it. "Clever people need to have respect for the one who is guiding them. You can build that by being authentic. It helps if you can show them the way, not too much but enough to steer them in the right direction. If you roll it out for them it's not theirs anymore. You have to give them hunches, finger points, certain directions."

Clevers can be anywhere on an old fashioned organization chart. Unlike some who are driven to reach the top, they may not be hierarchically aspirational -- indeed, many clever people are resistant to the notion. Leaders who seek to use titles or hierarchical promotion to motivate them are likely to be met with cold disdain. (Interestingly, however, they may have their own unofficial organizational hierarchy – what Will Wright described earlier as "the invisible wall chart.")

This also means they are likely to be motivated by factors other than money and power. But don't make the mistake of assuming this means clever people don't care about status or recognition. Their reference points tend to be outside the organization – with their profession or their clients. Clever people can be very particular about their professional status, and may insist on being called doctor or professor.

It is also worth noting a cultural difference here. In India, for example, hierarchy is very deeply rooted in families, society and organizational life. This means that feedback may not be easily accepted from a clever person regarded as lower down the hierarchy.

7. They expect instant access. The ideas of clever people are so all-consuming to them that they cannot understand why they may not be to their leaders as well. If they don't get access to the chief executive they will assume that the organization does not take their work seriously.

"Their ideas are so present to them now that they cannot understand why they may not be present to you – NOW!" summarizes Laura Tyson – reflecting on her experience as chief economic advisor in President Clinton's first administration, and latterly as dean of London Business School. So perhaps it's not surprising that many of WPP's clever people perceive Martin Sorrell's legendary speed of response to emails (within a few minutes most of the time) as one of the most distinctive and valued

aspects of his leadership style. The challenge for leaders is to balance open access with what might be regarded as interference.

The trouble for the leader is that if they're not there when the clevers come calling don't expect them to wait patiently in line: clever people have a low boredom threshold. Very low.

At EA, Will Wright calculates that with a team of 20 people three hours was usually spent working for every one hour spent on meeting and coordinating. Of course, as numbers increase the dynamic of meeting time and productivity almost reverses. With 80 people three hour meetings tend to yield an hour of work. In response, Wright keeps an eye on who is invited to a meeting, how long the meeting lasts and how it's run. Some team members are strong enough to leave as soon as they feel it has delivered what they need. "Do you need me anymore?" is a frequently heard and well mannered exit line. Clever people are loathe to hang around in needless meetings or to waste time when they could be focusing on cracking a thorny problem.

8. They want to be connected to other clever people. We have already made the point that clever knowledge cannot easily be downloaded to the organization. Indeed, it is almost always inseparable from the clever people themselves. But here is that paradox again. Just as organizations need clever people to be effective so, too, do clever people need other clever people – and organizations – to achieve their full potential.

In part, this is to do with access to resources. But that is not the whole story. It is also to do with the fact that clever people cannot function in an intellectual vacuum. Typically, they possess only a part of the clever solution – an important part, perhaps – but one that also requires the input of other clevers to come to life. Think of Will Wright at EA. Does he have all the necessary expertise to conceptualize, program, design, price, manufacture, package, market and distribute *Spore* all on his own? Unlikely. And even if he did, unless people buy and use his games then there is no point to his cleverness.

Clever people need others, they need organizations to plug into. Their concern with professional status usually means that clever people are plugged into highly developed knowledge networks – as we said earlier *who* they know is often as important as *what* they know. Cleverness is socially confirmed in interactions with others. Their strong external networks both increase their value and make them more of a flight risk for the organization.

As clever people enjoy networking with like-minded or like-qualified individuals, one of the challenges to the leader is to create internal networks, which satisfy their professional and developmental needs.

This point was made clear when we talked to Werner Bauer of Nestlé. “You have to establish a prosperous network of knowledge,” he told us. “When I was head of research for Nestlé that was the first thing I established across functional boundaries. My

argument was that what we know in one area could inspire new ideas in another.

“For example, our low temperature freezing ice cream – now launched in the US and Europe -- has half the calories of traditional ice cream. Our goal originally was to have a low calorie ice cream -- something you cannot do with normal technologies. The material scientists said, if we do an extrusion of ice cream at minus temperatures then we could perhaps create a low fat ice cream. Until that point, the extruder people had only thought about hot processes, cereal extrusion, plastic extrusion and so on. Nobody had ever thought of bringing an extrusion into the ice cold, and through this bringing about a revolution in ice cream.”

Today, Nestlé has a food science and technology knowledge network with 14 subgroups. Each of these has a leader who has no line responsibility over any of the people in the network. The leaders are normally drawn from one of the company’s R&D centers. Their role as leader is to bring together the knowledge of all the people in Nestlé who have know-how in that area.

For clever people, networking is not a social nicety but a source of perpetual improvement and bright ideas. Networks enable clever people to question assumptions and to make previously unacknowledged links. Unacknowledged links are also the topic of the final clever characteristic we have observed.

9. They won’t thank you. “There’s a part of me, a slightly dark part of me, that thinks these clever people wouldn’t recognize

management or leadership if you hit them in the face with it," one slightly forlorn leader confided. This may be true but it also gets to the heart of the challenge. Clever people might retort that leaders wouldn't easily recognize great science, a world changing computer program, or even an innovative new coffee machine if it was thrust before them.

Others we spoke to were more philosophical. One interviewee put it like this: "If clever people resist leadership, it is the fault of the leader rather than the clever person. Furthermore, if clever people resist management, almost invariably most others in the organization have similar concerns."

Even when you're leading them well, clever people may be unwilling to recognize your leadership. In the next chapter we'll look at what effective leadership involves. But remember, these clever individuals will often say that they don't need to be led. Measure your success by your ability to remain on the fringes of their radar. You know you're a success when you hear them say you're not getting in the way too much.

[1] see http://www.spore.com

[2] *PC News* reported that in 2007 the Sims games in the top ten PC retail games titles sold more than 1.5 million copies. The American PC games market was worth some $910 million in 2007 and the computer and video games market totaled $18.5 billion. *PC News*, "PC retail games dip in 2007", 25 January 2008.

[3] Hamel, Gary, "Management 2.0", *LabNotes* #7, February 2008.

[4] Lorsch, Jay and Tierney, Tom, *Aligning the Stars*, McGraw Hill, 2002

[5] Johnson, Bradford C; Manyika, James M; and Yee, Lareina A, "The Next Evolution in Interactions", *McKinsey Quarterly*, Number 4 2005

[6] Interestingly, Humer's observation appears to be confirmed by research. A 2007 study by the consulting firm Booz Allen Hamilton surveyed the world's largest corporate R&D spenders. It found no correlation between how much companies spend on R&D and their innovation success. Booz Allen Hamilton, Global Innovation 1000, December 2007

[7] Hamel, Gary, *The Future of Management*, Harvard Business School Press, 2007

[8] There has been a resurgence of interest in craft work, exemplified by Richard Sennett's *The Craftsman*, Allen Lane, 2008