LEADERSHIP FOR CREATIVITY:
GENERATING PEAK EXPERIENCES

by

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96/62/ENT

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Printed at INSEAD, Fontainebleau, France.
LEADERSHIP FOR CREATIVITY: GENERATING PEAK EXPERIENCES

Manfred F. R. Kets de Vries*
Abstract

This article consists of two parts. In the first part, attention is paid to the nature of creativity and the role of creativity in organizations. Some of the characteristics and inner dynamics of creative people are discussed. The notions of play and transitional space are introduced. Behavioral aspects of noncreative people are also explored. In this context, the concept of alexithymia—a condition that characterizes individuals who have difficulties with emotions—is mentioned.

In the second part of the paper, the question of what leaders can do to make people more creative—that is, what steps can be taken to get the best out of them—is explored. As illustration, two leaders who manage that process successfully are introduced: Percy Barnevik of ABB and Richard Branson of Virgin. These two leaders are extremely effective at handling the charismatic and "architectural" roles of leadership. In the first role, they envision, empower, and energize; in the second role, they design organizations and institute effective control and reward systems. Finally, the "jazz combo" metaphor is used to explain the effectiveness with which Branson and Barnevik function in these multifaceted leadership roles.
Introduction

*It doesn’t matter what he does, he will never amount to anything.* —One of Albert Einstein’s teachers, giving his opinion on Einstein’s future to his father

Some corporate leaders attribute their success to a critical core competency. They argue that their efforts at strategic reorientation have created major competitive advantages. Others ascribe their success to a business reengineering program. They maintain that they have bettered their operations through cost reduction, improvement of quality and services, or reduction in the development time of new products. Leaders in other companies boast about a cutting edge in technology or about sophisticated information systems. All these attributions may contain an element of truth. But what is at the root of these different advantages? To my mind the answer is possibly the most valuable asset of all: the creative talent of the company’s employees. Simply put, creative talent offers the corporation a long-term, unique, inimitable competitive edge. Competitors can catch up on core competencies; likewise, they can be given a cutting edge just as easily as you can by benchmarking and reengineering. Only *individuals*, however, can continually produce new, important, and exciting ideas that allow companies to reinvent themselves, enable companies to manage for self-renewal, and transform companies into true learning organizations. When we look beyond the hype, it is people with ideas—creative people—who eventually make corporate success happen. And these creative people cannot be cloned.

But creative talent, though essential to enduring corporate success, is possibly the most unrealized workplace asset. Why is this the case? I have found that most executives are not very good at recognizing these creative people; or if they do recognize them, they do not understand how to create the right ambience for channeling the energies of these people to the benefit of the organization.
It is common knowledge that truly creative people are thought to be difficult, unpredictable, even self-absorbed—in short, unmanageable. But in this article I hope to show that it is quite possible for organizational leaders to understand enough about the creative mind to know what these people are all about. And perhaps even more important, I will describe what roles senior executives can play in the workplace to bring out the best in their naturally creative employees (as well as in those who have the potential to show a creative spark).

The Creativity Mystique

Sometimes it is hard to know what creativity means. Creativity is the gift of being able to conceptualize and express an “aha!” idea, an idea that changes those who hear it. We have a tendency, however, to overuse the word, especially as a compliment. In fact, it is considered derogatory to label someone “uncreative.” Self-help books tell us that creativity can be produced with special exercises, such as brainstorming, synectics, and visualization. These exercises can unlock repressed thoughts and increase associative thinking, claim the self-help manuals; skills can be improved, talent developed, these books assert. Skills certainly can be improved, talent developed. And there is something very attractive about this populist notion of creativity, which suggests that most individuals possess a certain amount of unrealized potential and could be more productive, given the right circumstances. But what is creativity really all about?

When people discuss the enigma of creativity, the issue of nature versus nurture is often raised. Is creativity something we are born with, or do developmental processes play a key role? According to research done in this field, nature does play a critical role, but nurture then determines how the creative disposition evolves. However, the question of nature versus nurture is immaterial for those leaders of organizations
interested in enhancing the creative spark in their employees. What is important—regardless of each individual’s creative potential—is that organizational leadership should make the most of whatever dose of creativity the employees possess.

Real creativity—creativity with a capital C—is very rare. It is of a transformational nature and presupposes special gifts. Truly creative people experiment constantly and either apply their knowledge in entirely novel ways or throw out preconceived ideas altogether. Their insights transcend the implementation of good, innovative ideas; in fact, established patterns are shattered to produce new paradigms.

I believe art and music, inventions and discoveries, new theories of chaos and order require true creativity. The airplane is an example of a truly creative idea, as was the concept of the wheel in its time. The discovery of penicillin belongs in the same class as a Mahler symphony, to my mind. The conceptualizations of creative geniuses such as Copernicus, Newton, Darwin, Freud, and Einstein form some of the basic principles of Occidental culture.

Although creativity is often thought to be the purview of painters, musicians, writers, and other artists, it exists in every field of human endeavor. Scientists have applied their talents to business and in the process created whole new industries. We have only to think about such industries as automotive manufacturing, electrical appliance manufacturing, and data processing. Business itself has had its share of creative characters. Major contributions to the corporate world, however, do not often create the same kind of excitement as do those in, say, the arts. Creativity in organizational design tends to be of a much more subtle, less flamboyant nature. Does anyone remember the inventor of double bookkeeping? Who was the person who introduced time and motion studies? Do people recall the innovative role of the first Henry Ford in setting up the assembly line to make the Model T? How many people remember the contribution of Alfred Sloan of General Motors in introducing the divisionalized
structure? Who was the first designer of the matrix organization? Although these innovations do not seem to be as earthshaking as the theory of relativity, all of them have creativity as their base.

There is another catch to creativity in business. While artists and scientists often work in splendid isolation, this is rarely practical in a business setting. After all, organizations are composed of groups, and with groups come group dynamics. The highly touted ideal of team spirit in organizations can create certain problems for highly creative individuals. As we all know, these people do not easily conform. Yet their nonconformist stance puts others in a bind. As a result, in many organizations creative people are seen as troublemakers. Consequently, a sort of Gresham's law of creativity may apply: in this case, it is not bad money that drives out good money but conformists who drive out creative minds. Because many organizations are filled with conformists, and because conformists like other conformists—after all, they do not question the rules or rock the boat—they are the ones who get promoted. In contrast, truly creative types have a tendency to get themselves into trouble and, willingly or involuntarily, eventually leave.

How can one manage these mavericks and avoid the loss of potentially extremely valuable people? What can corporate leaders do to attract, develop, and keep creative people in the organization? The leadership challenge lies in creating an environment that accepts diversity and offers a high degree of freedom, thus producing an ambience where creative people thrive and from which the conformists are eventually driven out.
Creative People: Who Are They?

An employee in the marketing division of a major consumer goods company takes three-hour lunches and sits in the park "to think," or so he says. Is he being creative, or is he just goofing off? To answer that puzzle, his boss has to be something of an organizational detective. He has to resolve a number of questions. For example, what is happening in the "inner theater" of this person? What are the themes that make him tick, get him worked up? Deciphering these deeper motives requires the capacity to "listen with the third ear." In playing the role of organizational detective, that bench-sitter's boss has to be alert to the employee's underlying themes (hidden agendas), the meanings behind the metaphors he uses, the reasons he selects certain words over others, and the deeper implications of certain of his behaviors and activities. The capacity for such detection necessitates not only a solid dose of analytical intelligence (the kind of intelligence measured in traditional IQ tests) but also a considerable amount of emotional intelligence.

Emotional intelligence refers to an awareness about one's own feelings, knowledge about how to handle those feelings, an appreciation of emotions in other people (i.e., empathy), and the skill to manage the emotions of others to get the best out of fellow workers. It implies the ability to recognize affective contagion and pick up elusive, transferred, nonverbal signals. It signifies the capacity to deconstruct and find the deeper meaning in the complex relational processes that take place in any form of human encounter. Furthermore, in addition to an understanding of the underlying dynamics behind certain behavior patterns, emotional intelligence also implies application of the discovered insights about others in a constructive manner. Paradoxically, what appears to be the rather "soft" side of management ends up providing very "hard" information.
Let me illustrate the process I am talking about. The leadership style of the Swedish film director Ingmar Bergman can be taken as an example. His theater and film productions have placed him among the world's greatest directors. One astute observer of his way of working once noted the following:

One of the reasons that Bergman is one of the greatest film directors who has ever lived is that he has uncanny leadership abilities. He has a remarkable talent to get the best out of people, to raise them to unusual heights. What he does is to express confidence in his actors' abilities; he is a master in recognizing each individual's potential. He is one of the best handlers of human resources I have ever met. When he directs he is finely tuned to his actors' emotions and knows how to capitalize on them. No one is better at mining previously unexplored creative lodes in the mind; he seems to provide that rare mixture of security and encouragement. And by acting the way he does, he creates an emotional high, a peak experience that his actors, and others who are in close contact with him, do not easily forget. It is hard not to be touched by him. This happiness that one feels over the ability to really stretch oneself, the release of previously untapped creative energy, becomes a much greater gift than ever can be paid in money or other material rewards. Furthermore, this emotional high is not of a fleeting quality but becomes a building stone for future creative efforts.

Bergman's gift of revealing to people the extent of their own capacity did not come to him magically; it had to be learned. Many years of apprenticeship allowed him hone this skill. If we want to improve our emotional intelligence, we have to exhibit the same dedication. It takes rigorous effort and a willingness to step out of our traditional roles. For example, to better understand the dynamics of a person's inner theater, we may have to ask personal questions that are commonly perceived as being outside the
bounds of an executive's business; we may have to spend unstructured time with our employees.

In becoming more observant and effective, we may initially need some help. After all, emotional intelligence starts with oneself. Taking a hard look within, however, can be quite difficult. We may have to resort to a psychological “coach” to serve as a kind of mirror to give insights into our own behavior and the behavior of others. Certain self-assessment programs may likewise be useful. Enrollment in a clinical workshop may help to fine-tune our psychological sensitivity. We may even start with a simple reading course centered around psychological themes. Whatever we decide to do, the important thing is to improve our talent in understanding what goes on in our own world and the world of others.

Creative employees are not the easiest people to figure out, unfortunately. They are often a paradox: they rebel against conformity but are at the same time very attuned to whatever happens in the environment. Creative individuals are extremely sensitive to the changing needs of their particular art or science. They are attuned to the dangers inherent in the status quo; indeed, they are often the first to recognize the need for revision. They are also the kind of people who go beyond such recognition and try to institute change. Truly creative people are like Prometheus (to use a certain amount of hyperbole), whose name literally means "wise before the events." They seem to have the prophetic power to look into the future.

**Living in an Imaginary World**

How is it that some people acquire this capital-C creativity? What makes them different? Is it—as alluded to earlier—a question of inheritance, determined by biological laws? Or is it more a result of the developmental experiences these people were exposed to? An interesting corollary question in this context is the connection between creativity and madness. Given a creative person's often unorthodox, rather
strange behavior, it is understandable that such an association comes to mind. Where do we draw the line between genius and madness?

Without getting too deeply into the nature-nurture controversy, we can safely assume that genetic factors do play a role. There is a certain biological endowment we all start with. But superimposed on this biological matrix are our developmental experiences. Even in individuals with similar biological endowments, these early experiences lead to differences in creativity. Of interest to us are the factors in a creative person's upbringing that contribute to his or her genius.

Think back to the time when you were growing up. You may remember that as a child you dealt primarily with two worlds: there was the everyday world, with all its demands, and an intrapsychic world, a world of inner reality, where drives, wishes, and needs ruled. These outer and inner worlds would later become separate and distinguishable, but during childhood a third world existed: a space of fantasy and illusion, a place where connections were drawn between the two primary spheres.

Do you remember the way you played and created an imaginary world? How you created an illusionary space that bridged unconscious processes and reality? It was a world occupied by "transitional objects" such as strings, blankets, dolls, and other playthings. To use the words of the pediatrician and psychoanalyst Donald Winnicott, this world is "the intermediate area of experience between the thumb and the teddy bear." The capacity to explore and investigate, the development of an inner sense of cohesion and an external sense of reality, have their beginning in this illusionary space. Familiar objects help children to link their outer and inner realities.

This transitional space plays a major role in our development in a very basic way: it helps us establish a sense of self-esteem. For most of us, the transitional world is used in the process of resolving the developmental tasks of childhood to arrive at adulthood.
and maturity with a unique sense of self. For truly creative people, however, there is a
difference. For most of them, the process never reaches closure, so they do not give up
their transitional world. Consequently, their involvement in the transitional space
continues to affect their behavior throughout their lives.

Parents play a substantial role in this "play area" of the mind. They can foster it by
being encouraging and helping the free flow of associations. Alternatively, they can
restrict it by not giving the developing child enough psychic space. If parents are not
willing to join in the illusionary processes, they may damn up their child's free play of
fantasy and illusion. If parents encourage a child's transitional world, it becomes an
incubator for creative thought. This is where such processes as symbolization, make-
believe, illusion, daydreaming, playfulness, curiosity, imagination, and wonder all
begin. Every human being employs these processes to some extent, but truly creative
people are able to reenter this transitional world—the world that characterizes a
wonder-filled child—as adults much more easily than the rest of us. Consequently, they
are familiar with the irrational in themselves and are more in touch with their
unconscious. And they never really outgrow their capacity for introspection. As adults,
they are able to reach into this transitional world to find unorthodox ideas and
solutions. They have the ability to make connections between these two worlds. In this
context, psychoanalysts have written about the notion of "regression in the service of
the ego," meaning the ability to move back and forth between the worlds of childhood
and adulthood, and making the most of the interface.

In deconstructing the origins of creativity in individuals, we discover commonalities
among parents. We see parents who not only encouraged play in their children but
participated in their children's games (especially games involving language), parents
who applauded curiosity and inquisitiveness. They accepted imaginative and irrational
communication; they enjoyed their children's nonsense. They rewarded independent
achievement and did not ridicule their children's mistakes. They gave their children
credit for accomplishments. Furthermore, these parents took their children's transitional objects seriously, not treating them as something that needed to be perpetually cleaned or simply thrown away. Frequently, these parents were also role models for their children, in that they were autonomous and imaginative themselves.

This is not the only scenario, however. Another (more troubled) one is possible. Here the transitional world begins as a refuge from the painful reality of the external world, a safe haven from the hurtful experiences of childhood. But the retreat to this "haven," especially in adulthood, is not always a panacea; a psychic equilibrium cannot always be maintained. Various psychological symptoms may result. For example, a number of researchers have shown that there is a higher degree of mood disorders among creative people than is the case for the general population. That linkage between mood disorders and creativity may explain some of the characteristics that contribute to extraordinary talent. Among other things, people who suffer from mood disorders have a higher degree of emotional reactivity than other people do; that is, they are more sensitive to external and internal stimuli. Moreover, they have a greater capacity for absorption. This unusual intensity of focus may give them superior concentration. In addition, their thought patterns are less structured than those of others. They are less inhibited. This quality gives them free-flowing access to their own unconscious and facilitates novel associations.

Why is a transitional space so important to some of the people preoccupied with creative pursuits—those whose illusionary space developed as a safe haven rather than as a natural outgrowth of supportive and involved parenting? What makes the psychological equilibrium of this subset of creative people so precarious? The catalyst for their creative preoccupation is frequently something that happened early in their life, at a time when they were most susceptible. For example, the death of a caretaker or another child in the family, serious illness, deformity, excessive sibling rivalry, and external events such as war or being uprooted can be extremely traumatic for a child.
Later life experiences, often of a similar nature, may preoccupy the creative adult. Outbursts of creativity seem to help this type of person manage free-floating anxiety, depression, and dissociation. What stands central is their need for reparation, their need to find a creative solution to the struggle in their inner theater.

Examples of creative attempts at reparation are not hard to find in the arts. A common manifestation of this struggle is found in reproductions of internalized body images. Painters' self-portraits, for example, are usually a good "projective indicator" of their state of mind. Just look at the paintings of Edvard Munch, Egon Schiele, Frieda Kahlo, Giorgio de Chirico, Vincent van Gogh, and Francisco Goya. Munch once said, "Disease and insanity were the black angels at my cradle." He witnessed, and was devastated by, the death struggle of his mother when he was young. That experience may explain his brooding and cataclysmic style of painting. Schiele depicted himself in his paintings in castrated, deformed, and mutilated states. A probable explanation is found in his troubled childhood, which was punctuated by the death of his father and four of his siblings, and in a difficult relationship with his mother. Kahlo, bedridden and incapacitated for long periods of her life (due to the aftereffects of an accident and of polio, which she caught at a very young age), focused her work on distorted representations of her body. Depression and depersonalization were major elements in the personality of de Chirico. His estrangement from himself can be found reflected in his paintings, where themes of departure, melancholia, strangeness, eerie emptiness, and stillness predominate. His work was probably influenced by his sister's death and his mother's strong rejection. Not much commentary is needed to explain the tragedy of self-fragmentation as reflected in the work of van Gogh. In his case, emotional deprivation by a mourning mother, for whom he was supposed to be the replacement child (to fill the emptiness left by the stillborn first Vincent), had a devastating psychological aftereffect. And finally, Goya's illness, experienced later in life, had a dramatic impact on his style of painting. You do not have to be an expert to see the
difference between his early and later periods. A gruesome reminder of the change in style is reflected in his painting of Cronus eating his own children.

Painters are not the only ones whose creativity is enhanced by their life history. Many writers and composers attempt, in their creative productions, to master their internal struggles. Nikolay Gogol was troubled by body image. It was undoubtedly his enormous nose that prompted him to write the story “The Nose.” Franz Kafka's *Metamorphosis* is indicative of the kind of self-image he had. His description of his own transformation into a disgusting, monstrous insect does not need further analysis. It was certainly not the outcome of empathic parenting. Those who have read Kafka's *Letter to His Father*, explaining the kinds of terrors he suffered during childhood, know what I am talking about. In the case of Edgar Allan Poe, we have a father who deserted the family when Poe was two and a mother who died of tuberculosis when he was three years old. The father and mother of the composer Johann Sebastian Bach died when he was only nine years old. What aggravated this dramatic situation was that not many of his seven siblings survived childhood. No wonder that we find so often in his music the themes of death and resurrection. Then we have Gustav Mahler and his *Kindertotenlieder* (“Songs on the Deaths of Children”). These were composed for a reason: the death of his three year old daughter. And we should not forget the filmmaker Ingmar Bergman, a man struggling with his antagonists from within, engendered in part by his stiflingly restrictive parents. This struggle at times led to highly neurotic behavior—but behavior that was also extremely creative. These are only a few examples; I could go on and on.

**The Creative Individual**

How do we recognize creative persons? Creativity is not always as obvious as it is in the case of painters, writers, composers, and filmmakers. I see creative people as individuals who possess a considerable amount of conceptual fluency, as evidenced in their ability to produce highly unusual ideas very quickly. These people are also
extremely curious; indeed, inquisitiveness is perhaps their defining trait. Wherever a problem may lead, they will follow; and in fact they are often able to mentally leap ahead to imagine solutions. They have an enormous amount of energy and willpower. They are also very independent in their judgment, are nonconformist, have a sense of playfulness, accept their own impulses, and possess a rich—even bizarre—fantasy life.

Truly creative people are also intuitive. Despite the popular notion that intuition and reasoning are mutually exclusive, intuition is actually a form of reasoning, albeit one that depends on other channels of information. Because creative people are highly intuitive, they are unusually sensitive to the stimuli around them. They notice things that would be unconsciously screened out by others. This is partly explained by the fact that they are able to handle cognitive complexity; they can visualize forests and at the same time recognize individual trees. They can recognize patterns where others would hear cacophony. Moreover, they internalize their intuitive impressions and make connections.

There is also a visionary element to the behavior of creative types. They are driven by a sort of "magnificent obsession" toward distant goals. They are persistent, not afraid to take risks. Although their work may seem effortless to an uninformed observer, in fact it is often a long series of advances and setbacks; yet they are able to hang in there whatever the impediments. Truly creative people are also autonomous, independent individuals; conformity and social norms are not for them. They dare to be different. They do not feel the need to fit in. Creative people are characterized by a high tolerance for ambiguity; they do not aim for premature closure. They can tolerate the tension and suspense that come with leaving questions temporarily unresolved. On the other hand, they are prone to anxiety, perhaps because they are rarely satisfied with what they produce.
The Dead-Fish Syndrome

Unfortunately, not everyone ends up creative. In some people, the creative spark is extinguished very early in life. For them, in spite of all the optimism espoused in self-help books, remedial action will not lead to great results. In others, because of the nature of the organizations they work in, creativity is beaten out later in life. In their case, there is some hope of reviving dormant potential. Individuals in both categories can be recognized by the deadness they exhibit in interpersonal situations.

In psychiatry the word alexithymic is given to people who have this dead-fish quality. This term comes from the Greek and means literally "no word for emotions." True alexithymics—those whose creative spark was extinguished in childhood—are individuals who show no passion or enthusiasm, individuals who have no fire in their belly.

Identification of alexithymics is not that difficult. The symptoms include an impoverished fantasy life, a paucity of inner emotional experience, and a tendency to a lifeless, detail-oriented way of speaking. When dealing with such people, others tend to experience a feeling of dullness, boredom, and frustration. Winston Churchill's description of the Russian politician Vyacheslav Molotov indicates the kind of person we are talking about: "I have never seen a human being who more perfectly represented the modern conception of a robot."

The behavior of alexithymics seems to display a mechanical quality. Such people appear to be unperturbed by what others would find emotionally shaking experiences. A death in the family, a partner's infidelity, being passed over for a promotion, almost being hit by a car—nothing seems to ruffle them. All experiences seem to slide down into a black hole of inexpressiveness and blankness. It seems impossible to get a spontaneous reaction from them. Indeed, they tend to deny the existence of emotions. Psychologically, they seem to be almost illiterate, lacking any capacity for empathy or
self-awareness and resorting to action of a rather mechanical, robot-like nature as a way of dealing with conflicts. Playfulness is not their forte. They are preoccupied with the concrete and objective; metaphors, allusions, and other tools of hidden meaning are foreign to them, and they are slow to pick up on such tools when used by others. External details are apparently used as a way of filling their emotional vacuity.

Psychiatrists trace the root of true alexithymic behavior to the lack of transitional space. They suggest that there is a type of overprotective mother who frustrates the child's individuality and attempts at play, not allowing the child to feel for him- or herself. The child becomes trapped in an aborted symbiotic relationship whereby extreme dependence is artificially prolonged. Such a mother treats her child as an extension of herself and keeps the child under constant surveillance. The child's body is handled as if it were someone else's property; the child's natural emotions are discouraged. The ability to differentiate and verbalize emotions never develops properly. Thus alexithymics ignore the distress signals given by their mind and body; they are out of touch with their psychic world.

Some organizations are hideaways for such persons. Perhaps you work in or know of one. Think about all the corporate types housed within such organizations—the men in their gray flannel suits, the women in their unimaginative outfits—who make all the right noises, who seem to behave appropriately, but in whom nothing distinctively human is revealed. They follow the rules, never rocking the boat, but they do not know how to play. Interaction with this kind of people has a draining quality. After a while, being with them creates in others a dreadful ennui. One feels like jolting alexithymics to get some kind of reaction out of them. These people can be extremely exhausting because of their lack of life.

However, there are also people who, though not yet true alexithymics, behave in an alexithymic way because their organization encourages this kind of behavior. Whatever
creative spark they once possessed is gradually driven out of them as they conform to what their organization expects from them. After all, many companies like the idea of command, control, and compartmentalization. They like stability, predictability, and efficiency. They do not want to have mavericks around—people who do not conform and are willing to take risks. They do not like individuals who are different and disturb the routine. Such an organizational mind-set attracts people who play it safe and as a result creates an atmosphere of mediocrity—of ideas, performance, and results.

One of the challenges of leaders is to distinguish between people who have had their creativity well and truly beaten out of them and those who can still be saved. Sometimes the creativity of “dead fish” is a complete loss; other employees can be revived, though not necessarily taken to great heights. Bringing out the dormant creative potential in people is what true leadership is all about.

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**Branson’s Virgin**

Virgin is now one of the top five brand names in the United Kingdom. That company’s chairman and founder, Richard Branson, has become an international celebrity; he has been the subject of numerous profiles in gossip magazines, the business press, and television programs. In the UK he has achieved folk-hero status and is frequently cited as a role model for young people wanting a successful business career. He is one of the people youngsters in that country admire most. He became one of Britain's richest people before he turned forty, running an empire that encompasses travel (Virgin Atlantic), communications (books, radio and television stations, computer/video games), retail (Megastores), and hotels. (The highly successful music division was sold.) The following passages are excerpts from a 1995 interview I conducted with Branson:
Kets de Vries

What do you see as Virgin's key success factors? What makes your company different from others?

Branson

I'm absolutely certain that it is a question of the kind of people you have; the way you motivate them. I'm sure that's what can make any company successful. If you can motivate your people, use their creative potential, you can get through bad times and you can enjoy the good times together. If you fail to motivate your people, your company is doomed not to perform well. If your employees are happy and smiling and enjoying their work, they will perform well. Consequently, the customers will enjoy their experience with your company. If your employees are sad and miserable and not having a good time, the customers will be equally miserable.

Kets de Vries

Could you say something about the way you design your organization, its architecture?

Branson

Well, our record company [now divested], I suppose, would have been the best example. My philosophy was always that if there were fifty people in a building I would go there and ask to see the deputy managing director, the deputy sales manager, and the deputy marketing manager. I would say, "You are now the managing director, the sales manager, the marketing manager, or the press officer of a new company." I would put them into a new building. Then again, when that company got to a certain size, fifty people would come along and I would do the same thing again. So we actually set up about twenty-five, thirty small record companies. Cumulatively, they became the biggest independent record company in the world.

Kets de Vries

What can you say about your reward systems? You once said that you were in the business of making millionaires.
Branson
Yes, I suppose that we have made maybe fifteen or twenty multimillionaires through this structure. We like to reward our key performers for their creative contribution.

Kets de Vries
*When you look at creative, high-performing organizations, they seem to have a number of characteristics in common. What do you think they are?*

Branson
Obviously, speed is something which we are better at than most other companies. I mean, we do not have formal board meetings, committees, etc. If someone has an idea, they can pick up the phone and talk to me. I can vote done, *let's do it*. Or better still, they can just go ahead and do it. They know that they are not going to get a mouthful from me if they make a mistake. Rules and regulations are not our forte. Analyzing things to death is not our kind of thing. We very rarely sit back and analyze what we do.

Kets de Vries
*Some people argue that the way you run your company is almost like a venture capital firm. Basically, anybody with a crazy idea gets a hearing.*

Branson
I hope that crazy-idea part is not too true. But to an extent that statement is valid. I think that is a fair comment.

Kets de Vries
*What do you see as your weaknesses? Do you have any characteristics that get in the way of your work?*
Branson

I suspect [one such characteristic is] not being able to say no. Hopefully, I'm getting better at it now. But there are so many wonderful ideas. I do love new projects; I love new ideas. We are in a position where almost anybody and everybody who has got an idea likes to bring it to us. There aren't many companies like us, who have got, in a sense, a certain amount of entrepreneurial flair, companies which seem accessible to the public. Therefore, in any one day we receive hundreds of requests of all sorts. And some of them are very good ones.

My weaknesses really go back to the fact that I have spread myself too thin. In a purely business sense I suspect if I wanted just to maximize profits I should have stayed more focused on one area and really concentrated on that one area. That's the most conventional way that I'm sure most business schools teach. Perhaps it is right. Having said so, it wouldn't have been half as much fun.

I must admit that I feel very much alive when I set out to achieve something. On reflection, it's really more the fight than the actual achieving. I love people and I just love new creative challenges. Some people say, Why keep battling on when you can take it easy? My reason, basically, is that I'm very fortunate to be in the position I'm in. I've learned a great deal and I've had great fun doing so. I'm in a unique position of being able to do almost anything I like and achieve almost anything I wish. I do not want to waste the position that I find myself in. I know that at age eighty or ninety I would kick myself if I just frittered away this second half of my life. I really do believe that fighting competition is exciting. And it's good for business. I think that Virgin can get in there and it can compete with the biggest and improve them. And hopefully survive alongside them, have fun, and pay the bills at the same time. Basically, I admire anyone that takes on either the establishment or something like a mountain and succeeds or fails.

I sometimes wake up at night and lie there and think, "Is it all a dream?" Because it has been pretty good to date. It just seems almost too much for one man in one lifetime. So, if I'm to reflect, I have been very fortunate to have so many wonderful experiences. Every day is fascinating. Every day, I'm learning something new.
When you leave Virgin, what kind of enduring mark do you want to leave behind?
How do you want to be remembered?

I think that it would be nice if Virgin can be remembered as a company that challenged the established way of doing things, and built up a number of companies that were world leaders in their own field. That doesn't necessarily mean being the biggest companies, but the best in that particular field. I also would like that the staff of Virgin would have very happy memories of their time that they spent working here.

Barnevik's ABB

In 1987, Percy Barnevik surprised the business community by announcing the creation of the largest cross-border merger in modern history. In record time he combined ASEA, a Swedish engineering group, with Brown Boveri, a Swiss competitor. Since then, by adding more than 100 companies in Europe and the United States, he has created a $30 billion giant with a portfolio covering global markets for electric power generation and transmission equipment, high-speed trains, automation and robotics, and environmental control systems. Presently, a cadre of 250 global managers lead 230,000 employees in 1,300 companies which are divided into 5,000 profit centers in 140 countries around the world. Excerpts of my interview with Barnevik follow:

Mr. Barnevik, could you say something about the architecture of your global organization?
Barnevik

The fundamental organizational design that ABB is known for is its extreme decentralization. This obsession with decentralization has been a theme throughout my whole career. I've seen the deficiencies of the big corporation, the dangers of bureaucracy, the effects of the ivory tower where people sit in their rooms, far away from their customers, the lack of engagement, the absence of the creative, entrepreneurial spirit. I'm sure you've heard the story of the person coming into a big office who asked, "How many people are working here?" and got the answer, "Half of them." This may be a worn-out old joke, but there's some truth behind it.

What I've tried to do is to recreate small-company dynamism and creativity through having 5,000 profit centers and 1,300 legal entities. I have also made an effort to reduce the layers. I am fully aware, however, of the pros and cons of doing so. Fewer layers mean bigger spans of control and fewer jobs to which one can be promoted. But the advantages lie in communication and feedback—or, as I call it, "quickback." When you are in the process of change, rapid communication is indispensable. We try to make an environment where you can have creative, entrepreneurial people, where you can feel engaged.

Kets de Vries

You say that the values as represented in your "policy bible" provide the "glue" that keeps the people in your organization together. It's very nice to say so, but how do you get people to internalize those values?

Barnevik

There are many different ways we can do that. I would say that the most important thing of all, overshadowing everything else, is to live that way yourself. If you say people-development is important and then do not develop your own people, you lose credibility. If you talk about speed in action and you procrastinate on certain difficult decisions, you are not believable. So I think that I and the members of the executive committee, and further down, must "walk the talk," as the Americans say. That's the single most important thing. We must always check that we are living up to what we say.
What gets you excited at work?

Barnevik

A lot of things. I know I'm competitive. Beating the competition for a big project gets me excited—breaking into a new industry where we weren't previously. But what really gives me the greatest satisfaction is seeing young people whom I've promoted succeed. Then you have created something that will outlast an individual transaction. At the same time, I've had some of my biggest disappointments when people failed.

I want my people to constantly test their imagination, their ability to move further. To create this change mentality, this creative spirit, [I] have to show [my people] that the environment, the competitors, the customers are changing. Thus in order to survive we have to change. You know the expression, "When you are through changing, you are through!"

What do you plan to do to continue to nurture the creative spirit in the company?

Barnevik

To continue this momentum, it's important that people in an organization have something to be proud of. It's important that our people can feel pride in something beyond the numbers. For example, if you look at our company now, we have been pioneering investments in Eastern Europe, spearheading East-West integration. I do not want to claim that we knew more than anyone else, but I was absolutely convinced that Eastern Europe would open up. Many of our people are proud of participating in that process. The same can be said about our work in the environmental field. I would like to create and develop an image of us helping to improve the world environment. For example, transferring sustainable technology to China, or to India, where they have a tremendous need to clean up their coal-fired power plants. Our employees can look at work like that and see that we contribute something beyond mere shareholders' value. Internally, we can pride ourselves on certain environmental improvements
without being too bombastic or boastful about them. This is particularly relevant for attracting young people to the company. They are by and large not happy just to work for a big company with high profits; they also like to see a purpose that goes beyond numbers. It's important that a company can be perceived as changing the world in a positive way.

I believe that there is a tremendous potential in our people that is not exploited. Take, for example, the workers. They only use 5 to 10 percent of their brain capacity standing at a machine. Then they go home. There they administer; they organize for the children; they build a summer house. All of a sudden, they seem to be able to do an enormous amount of things. Ninety to 95 percent of their brain is now at work. Now, why can't we move these people into bigger tasks?

We are now experimenting with cutting out a whole layer of clerical supervision to give teams of workers bigger responsibility. I think there is a huge potential here that we have not tapped yet. This goes deep down to the roots of the way we run industrial organizations. It all comes out of the Taylor system: managers do the thinking and the workers do the working. This attitude has to be changed. One doesn't need a blue-collar or a white-collar union. We are all in the same boat. When you open that vista up, all of a sudden there is a whole new avenue for exploiting and developing human potential. Future leaders should be able to stimulate and develop this extra capacity inside their companies to be really successful. However, this type of fundamental change in industrial organizations will take a long time to implement—maybe a generation. Those who start early will also reap the benefits early.

Kets de Vries

Given your reputation of always being overprepared, do people in the company question some of your ideas? Do they dare to disagree?

Barnevik

It's a difficult question to answer because all executives say, "Oh sure, others disagree." Even the worst dictators tend to say that, because they imagine that it's like that. Now I appreciate that my characteristics are sometimes a little bit dominant. At
times I can overwhelm people. I'm aware of the risk, sitting in my position, of not getting enough feedback and having a sufficiently open attitude. Of course, it's comfortable, whatever position you are in, to have people agree with you. The temptation is always there.

In this organization, for people who know me well, there is absolutely no problem about saying, "You are wrong. I disagree." But of course in an organization of this size there are many people who do not know me that well. In the Latin countries especially, and maybe in Germany, there is a tendency to be a little cautious, not to offend the top guy. It's a problem to make people really speak their minds and tell you things openly, particularly unpleasant things. I can only say that I'm aware of the problem, that I work at it. With new people whom I do not know well, I go out of my way to try to build their confidence so that they do not worry about that aspect of the conversation. How successful I'm in doing that's another matter.

In our organization, with all these different cultures and a global presence, we really have no choice but to create an attitude and an atmosphere where people can speak their minds. If people do not come out with real objections to certain decisions, it would be catastrophic for us. [Forthrightness] is a must. That doesn't mean that one can do whatever one likes. Once a decision is taken, we demand that people stand behind it whether they like it or not. We do not want them to sabotage it. But before decisions are taken, people must speak their minds!

Of course, the worst thing you can do when you are trying to create an open atmosphere is to interrupt someone, to be degrading, to show your disapproval. You rather have to do the opposite. You have to say, "That's a very interesting point," or whatever. You have to bear in mind all the time that you must encourage dissenters. You must demonstrate that willingness. Even when someone goes against you, it should not redound on them in any way. People shouldn't get the impression that [opposing management] is bad for their career.
What drives you?

Barnevik

What gives me a sense of reward is to create something, to make some kind of lasting impact. Things like penetrating new countries, developing and commercializing new technologies, creating new opportunities. I do not work for the money and the prestige and all that. I guess it's like a person designing a house. People want to build something, create something that is worthwhile. That's what it all boils down to.

Kets de Vries

If a young executive were to ask you for advice about how to manage his or her career, what would you say?

Barnevik

I would tell him to be very careful in selecting the manager he is going to work for. The critical thing is to look for a company where they really develop people. That is going to be more important than making, to begin with, two or three thousand kronor more per month. Then the second thing is to do a good job wherever you are. Also, be yourself. Do not try to imitate or be someone else. All these management books talk about this or that famous person—you have to build on your own strengths and your own ability.

Roles Creative Leaders Play

What differentiates effective from less effective leadership? Why are certain kinds of leaders very successful at getting the creative potential out of their employees while others fail? As we can see from the two case vignettes just presented, effective leaders are excellent students of psychology; they possess a solid dose of emotional intelligence. They are also blessed with a certain playfulness and curiosity, and they are masters of surprise. New ways of doing things fascinate them. To use the language of
creativity, they are quite prepared to enter their employees' transitional world and "play" along.

What can also be noticed is that effective leaders take on two roles: a charismatic one and one of an architectural nature. The first role encompasses the ways in which leaders envision, empower, and energize in order to bring out the creative potential of their employees. At the same time, effective leaders also take on the role of organizational architects. They design organizations and set up certain systems to control and reward creative behavior appropriately.

The Charismatic Role

Envisioning. Coming back to the first dimension of the charismatic role, we all know that a critical facet of leadership lies in determining where a company needs to go. There can be no leadership without vision. The corporate vision, based on the leader's core values and beliefs, enables him or her to define the mission of the organization. That vision is the key building block for the creation of strategic goals and objectives. Direction alone, however, is not good enough. Commitment has to be built so that everyone in the company wants to go in the desired direction. To achieve that end, effective leaders know how to align others behind their vision.

Most well-known politicians are masters of envisioning. What sometimes is called charisma is derived from this ability. Charismatic leaders express a general dissatisfaction with the status quo and present a viable alternative, dramatizing the risks by playing out the David-Goliath theme. Resorting to captivating, magnetic imagery—that of ceremonies as well as of language (similes and metaphors)—they build alliances, inspire others, and make their vision reality. By playing on the imagination of others, they are very effective at having those others take ownership of their vision. Mahatma Gandhi, for example, had a vision of an independent India in which Moslems and Hindus would live together in peace. Martin Luther King, Jr., had
a vision of harmony between blacks and whites. John F. Kennedy, when he was president of the United States, had a very specific vision of landing a man on the moon by the end of the sixties. Gorbachev had a vision of a more open Soviet society. In the domain of business, the first Henry Ford wanted to build a car for the masses, Ingmar Kamprad of IKEA wanted to make affordable furniture for the common man, and Bill Gates wanted to change the way people work by making everyone computer-literate. Regrettably, not all visions are positive: consider the dark vision of Adolf Hitler, with his thousand-year Reich, and Stalin's ultimately destructive vision of a new Russia.

As in the political sphere, if people are to be motivated in the workplace, if they are to commit themselves to the prevalent vision, then the mission statement derived from the vision needs to catch on emotionally. It should stretch the mind of all the company's employees. It should play on the imagination, stimulate creativity. It is therefore important that leaders make their vision exciting. It needs to have an inspirational quality, create a sense of pride, and go beyond the bottom line. Think back for a moment on Branson and Barnevik. Branson, who is in the business of fostering entrepreneurship, is looking for people with innovative ideas who will start new entities, people who are willing to be the best at whatever they are doing, be it entertainment, communications, airline or hotel work, store management, financial services, or even beverage distribution. Barnevik, for his part, is trying to create the world's number-one engineering group. Unless they can enlist the support of their employees, they cannot hope to achieve these lofty goals.

As the earlier interview excerpts indicate, Branson and Barnevik believe that merely increasing shareholders' wealth or maximizing profit is not good enough. Money is important, but it is not an end in itself. People like to be proud of something, feel that they have made a contribution to the world. These leaders' efforts to engage in good works, to look beyond the bottom line, are a very effective way of motivating and challenging the people who work for them. Thus we hear Barnevik saying that he is
motivated by a desire to bring into being a better world by creating employment (particularly in Eastern Europe, where he is the largest investor) and to make the world more livable by providing clean energy and transportation. For Branson, too, this social concern for "doing good works" is an important part of corporate philosophy. On many occasions he has put his money where his mouth is.

**Empowering.** One factor that differentiates effective leaders from ordinary mortals is their ability to get the best out of their people. Such leaders know how to take advantage of the Pygmalion effect in management. They are very good at building alliances and creating commitment so that others will share their vision. They possess great team-building skills. They treat their employees as competent, responsible human beings. They allow employees to experiment, to play, to make mistakes. They work to ensure that secrecy is minimized: they help their employees understand the business and build trust through the sharing of sensitive information about the company’s performance. They make every effort to get their employees involved. They want to foster a sense of ownership among their people. It is the strong belief of such leaders that strategic awareness should not be limited to the top echelons but should be spread throughout the organization. Dispersing awareness means pushing authority, responsibility, and accountability far down.

The term *empowerment* is often used in this context. Effective, creative leaders make the empowerment of followers seem deceptively simple. They know how to express high performance expectations. They also realize that to get the kind of commitment that makes stellar performance possible, a strong show of confidence is needed. And in most instances, empowered employees will do their utmost to oblige. By enhancing their people’s self-esteem, effective leaders guarantee that many employees will perform beyond expectations. Napoleon Bonaparte seemed to be familiar with this Pygmalion effect when he declared that every French soldier carried a marshal’s baton in his knapsack.
Unfortunately, empowerment is difficult for some leaders, given their addiction to power. Many find it hard to let go of power, to push it down in the organization. They find it difficult to trust people and to treat them as mature, responsible human beings. Leaders who have this problem lack perspective; they do not realize that by empowering their followers in a positive way, they are in fact strengthening their organization and thus their own hold on power. As many psychotherapists have discovered, in the domain of the psychology of power the desire for short-term gains tends to override the consideration of long-term benefits.

Truly great leaders realize that envisioning without empowerment leads to a poor enactment of the vision. They recognize that the art of leadership is to create the kind of environment where people can be creative, can have peak experiences—an environment where they can become completely involved in what they are doing, as reflected in losing their sense of time. Branson and Barnevik have figured out the psychology of peak experiences and have created their organizations accordingly. They have brought into being organizational structures in which people have a sense of control and a feeling of ownership in what they are doing.

**Energizing.** Another key word in describing what successful leaders do is *energize.* In every organization there is an enormous amount of free-floating aggressive and affectionate energy. Effective leaders know how to channel this energy in the right direction. Not only do these leaders need an enormous dose of energy to be effective, they also play a pivotal role in the energy management of others. Well-channeled energy positively influences the enactment process. One should never forget that a vision without action is nothing more than a form of hallucination.

Effective leaders not only elevate the energy level in the organization but help their colleagues direct their aggressive energy externally. Employees should not attack each
other but fight the competition. It helps to have an “enemy” to focus on while enacting a mission; that focus sharpens the mind and gets the competitive and creative juices flowing. "Enemies" help in shaping the organizational identity. And successful companies watch their competitors very closely. They want to know everything about each competitor so that they can build a base of attack. Think about the Pepsi and Coke wars. Remember Nike, Adidas, and Reebok? Percy Barnevik constantly reminds his people of enemies such as Siemens, General Electric, and Alcatel-Alsthom. Branson is a master at channeling aggressive energy by using David-Goliath imagery. His enemies have been (and continue to be) many; he is engaged in a lifelong battle against strong adversaries, be they British Airways, Coca-Cola, or EMI.

The other part of the energy management process centers on using affectionate energy appropriately. Every leader, at whatever level, is to some extent a kind of psychiatric social worker, a container of the emotions of his or her subordinates. Good leaders provide a sense of security, inspire trust and confidence, and offer a kind of safe holding environment. The way effective leaders go about creating such an environment distinguishes them from their less successful counterparts. Truly effective leaders have a kind of “teddy bear” quality. They know how to create a comfortable holding environment for their employees. Furthermore, they create a feeling of safety about people’s ideas; they tolerate alternative points of view.

In their interaction with such leaders, employees feel that they are given focused attention. Leaders who possess the ability to deal well with affectionate energy know how to really listen to put their people at ease. They are sensitive to not only the verbal but also the nonverbal elements of any conversation; they paraphrase to convey their comprehension; they know how to get others to open up. They recognize the unspoken feelings underlying many statements. They have very well developed observation skills and are extremely effective at picking up elusive signals. They give their employees permission to recreate themselves, to invent procedures, to formulate
new ways of doing things without feeling stifled. And because of this “teddy bear” quality, their employees are willing to do things they would not do otherwise; as a result, they often make unusual contributions. They act upon a feeling of indebtedness that asks for reciprocation.

In managing energy in organizations, empathy is critical. As has been mentioned before, emotional intelligence is a sine qua non. As we know, the derailment of a CEO is seldom caused by his or her being insufficiently informed about the latest techniques in marketing, finance, or production, but rather by a lack of interpersonal skills, a failure to get the best out of the people who may possess this more technical information. Emotional intelligence makes also for a sense of generativity—taking pleasure in helping the next generation, taking on the role of mentor and coach. When leaders lack this quality and are envious of others, organizational learning is stifled and the future of the organization is endangered.

The Architectural Role

The envisioning, empowering, and energizing facets of the charismatic role rest on the solid foundation of the architectural role. While in the charismatic role special attention is paid to people’s inner theater, in the architectural role—organizational design, and control and reward systems—the concern is more with the creative individual’s external world.

Organizational Design. There is a thorny dilemma involved in creating an exciting working environment. Larger size means more possibilities, but size can become a serious impediment. Economies of scale are not without serious diseconomies of size. When organizational units become too big, employees are likely to become less involved. A sense of alienation and depersonalization may be experienced by the majority, with obvious negative repercussions for creativity, innovation, and entrepreneurship. Thus, to challenge their employees and give them a sense of
ownership, effective leaders minimize the negative aspects of large organizations by eagerly embracing the concept of *small is beautiful*. They know that a proper organizational structure can be a competitive advantage. These leaders go to great lengths to create in their large corporations a small-business atmosphere. They also realize that the hierarchical organization has had its day in the sun. The organization of the twenty-first century must be more horizontal. Tall structures are out and flat structures are in, encouraging lateral rather than vertical communication.

Effective leaders want organizations to be as *simple* as possible. They want to minimize the potential for confusion in the decision chain. As Barnevik has expressed it, "We want to be centralized and decentralized, big and small, global and local." In aid of that goal, he has created a company made up of 5,000 profit centers. Likewise, Branson has said that when there are more than fifty people in a building, they lose their sense of identity and belonging. When that happens, it is time to spin off the division and create a new business in another building. Branson applies his philosophy religiously: his organization consists of a number of small autonomous units.

Whereas the traditional command-and-control style of management and organization has a tendency to stifle creativity, effective leaders realize that the future of the high-performance organization is in *small, autonomous units* run by *self-managed teams* made up of individuals who do not have to be continually prodded to do things. Effective leaders look for the kinds of people who set their own standards and rewards. They want people in their organizations to be inner-driven. In their selection procedures, they try to attract the kinds of people who set very high standards for themselves and who criticize themselves when they do not live up to these standards. They are looking for individuals with a high tolerance for ambiguity who are eager to learn and know how to adapt. Moreover, they go to great lengths to change the mindset of those people who have not shown genuine commitment in the past, who have not so much been making a creative contribution as going through the motions.
Decentralization and operational autonomy are tenets of the creative, high-performance organization.

Another critical theme in the design of these organizations is customer-centeredness. Close customer contact for everyone in the organization is a major pillar of the philosophy of effective business leaders. In high-performance companies, much effort and attention is put into the creation of a climate of service excellence. Employees are made aware of the fact that only customers can help them achieve tenure in their organization. Superior customer satisfaction colors the design of all organizational processes. The innovative way in which Branson runs his airline is a good example; every effort is made to surprise the customer in a positive way.

Effective leaders also realize that close customer contact with all employees increases the latter's sense of ownership. Incorporating a customer focus into the heart of the corporate culture instills in employees a feeling of responsibility for maintaining the customers' interest and goodwill. In the design of the organization, a process orientation (how best to help the customer) is preferred over a functional structure (how best to execute one particular task). In other words, all structures and procedures should be directed toward giving the best service to the customers. In creative, high-performance organizations, customers are not merely an abstraction or a distraction. (Again, small business size enhances the possibility of contact and improves the feedback loop.)

Apart from organizational form, another characteristic of organizations designed for creativity is speed. Product life cycles are growing ever shorter, and speed to market has become increasingly important. Too many companies have invented great products, only to lose out in the process of market introduction. It will not come as a surprise that all effective, creative leaders recognize the importance of speed. They create dynamic, fast-paced environments in which employees are continually
challenged and can expect quick action and results. One of the key success factors in Branson's organization has been his ability to act fast. As he says himself, "I can have an idea in the morning in the bathtub and have it implemented in the evening." Speed also has an essential place in Barnevik's management philosophy. In his policy bible, he has said that "it is better to be roughly right than exactly right with respect to speed." He has made it very clear that it is permissible to make mistakes due to speed. At ABB, not taking action—losing opportunities because of a reluctance to make decisions—is unacceptable behavior and leads to dismissal.

Control Systems. Barnevik and Branson know that creating behavioral change is not easy. They, and other effective CEOs, are looking for radical formulas whereby they can encourage the creativity of the employees in their organizations. If a "playing field" is needed, such leaders want structure without the stifling costs of bureaucratic controls and hierarchical authority. Rules and regulations need to be minimized. An attitude should prevail that it is possible to bend the rules; nothing is written in stone. The "loose" organizational architectures of Virgin and ABB are indicative of that philosophy. ABB has a sophisticated global matrix structure with enormous fluidity between business-area managers and country managers. Virgin resembles a keiretsu organization—an amoeba-like structure of loosely linked companies continuously dividing and reproducing (quite mystifying to outsiders), a structure within which employees have the possibility to constantly rewrite their job definitions depending on the kind of new challenges they are prepared to undertake. Only creative types need apply, as such structures require a willingness to live with a high degree of ambiguity.

Leaders who manage for creativity strongly believe in decentralization, but at the same time they keep a close watch on a number of key performance indicators to stay informed about what is happening in their various strategic units. Designing an organization of this type would have been impossible until recently. Being big and small at the same time, breaking up a large company into a number of small, loosely
connected companies while maintaining the organization's cohesiveness, has become feasible only with the revolution in information technology. *Sophisticated information systems* have become a major force pulling geographically dispersed employees together. It is now possible for top executives to decentralize without losing a feeling of control. Naturally, success in these new structures requires literacy in modern information and communication technology.

Branson and Barnevik also realize that there are two kinds of glue that help make their loosely structured organizations function. Sophisticated information systems are one; the other is a set of *shared common values*. Values go a long way toward providing cohesiveness. Effective leaders (implicitly or explicitly) want each organizational participant to share certain values specific to their respective corporations—values that go beyond their national cultures. At ABB, these key values are summarized in a policy bible. At Virgin, they are more subtly instilled; everyone, however, is expected to be familiar with the corporate culture of the organization. New recruits are indoctrinated in these values, which are then reaffirmed in workshops, seminars, and meetings. In all successful organizations, people are expected to internalize shared corporate values and behave accordingly, with a positive payoff for both sides: the internalization of corporate values means less need for external controls.

Freedom from excessive control does not mean, however, that employees are not held accountable for their performance. *Accountability* is driven deep down in every successful organization. It is impossible to be part of a winning institution without making a distinction between excellent and mediocre work. Thus constructive feedback about performance is very much a part of the culture of these organizations. There is compassion, yes; but there is also a limit to excuses.

**Reward Systems.** Barnevik and Branson also realize that the high performers of today can be compared to frogs in a wheelbarrow: they can jump out any time. Thus
imaginative human resource management systems have to be found to keep employees committed to the organization. In addition to giving workers the opportunity to spread their wings, leaders must put attractive material rewards in place to compensate high performers for their creativity. Today's best employees want tangible benefits beyond salary increases. They want to be rewarded according to their contribution. Compensation systems need to be tied in to each person's creative contribution. Gain-sharing is one way of rewarding high performers; alternatively, an organization can offer a piece of the action in the form of stock options, bonuses, or some other profit-sharing plan. *Shared ownership* plays an important role in retaining the best people in a company. As Branson has said, he is in the business of making millionaires. He makes it quite clear that he does not want his high performers to leave Virgin to start their own companies elsewhere. He makes sure that key players have the possibility of becoming millionaires under the Virgin umbrella. Of course, this way of rewarding employees also contributes to a sense of ownership.

**Emulating the Jazz Combo**

In the previous discussion, we saw how the artful combination of the charismatic and the instrumental roles of leadership can harness the creative potential of an organization's employees. If these roles are carried out effectively by leaders, their colleagues and subordinates will realize their creative powers, achieving things they would not have otherwise. We have seen how Barnevik's and Branson's leadership styles go a long way in that direction.

We have also seen how important it is in the design of creative organizations to produce an ambience that allows people to feel that they have control over their own destiny. Both Branson and Barnevik have built organizations for people who want responsibility—organizations where such people will be "stretched," where senior
executives are willing to take a gamble on them and give them the room to learn. Learning and the permission to make mistakes seem to be very closely linked. At Virgin and ABB—and other creativity-oriented organizations—employees are allowed to make mistakes. After all, only people who do not make any decisions at all make no mistakes!

In building a climate for creativity, effective leaders play the role of sponsors. They know that new ideas are like delicate flowers: without considerable nurturance, they quickly wilt. Consequently, these leaders provide not only strong financial but also emotional support to get projects off the ground. They like to see a continuous stream of new projects and products in their portfolio. Both Branson and Barnevik have been extremely successful at fostering new ventures. Hardly a week goes by without an announcement by a Virgin spokesman or its flamboyant chairman of yet another project off to a flying start. Similar statements can be made about ABB. Both CEOs are committed to renewing a considerable part of their product portfolio each year.

The principle behind Barnevik's and Branson's way of designing organizations is that when people have a sense of control, they feel better about what they are doing; and when they feel better about what they are doing, they are more creative. In addition, when people have a sense of control, when they have a feeling of ownership of a particular part of the organization, they are more committed. Equally important, they have more fun doing their job. Most people who have fun work harder, a connection that Branson and Barnevik thoroughly understand. In all too many organizations, however, fun seems to be a dirty word. Many top executives have apparently forgotten the importance of playful enjoyment. They do not make an effort to let people "play" in the organization. Yet as we have discovered, playfulness and creativity are closely related.
Effective leaders act as culture guardians, making an enormous effort to let their employees speak their minds. If we are to bring out the creative potential in people, receptivity to contrarian thinking is essential. Leaders who are aware if this take to heart General Patton's comment, "When everyone agrees, somebody is not thinking." They realize that when people do not have the confidence to say what they mean, leaders receive filtered information. Barnevik, who acknowledges the risk of not getting enough feedback, goes to great lengths to encourage people to speak their minds. And Branson, who has an open-door policy, has taken on the role of ombudsman in his organization: he welcomes critical comments about ways to improve the operation of his companies. He is always prepared to listen (and, more important, to act) when people have legitimate complaints.

Effective leaders also try to make good internal corporate citizen behavior an essential part of the organization's value system. One factor that makes the companies headed by such leaders so successful is that employees are prepared to go out of their way to help each other and to preserve the integrity of their organization. In contrast to what can be found in many other organizations, their employees do not take a parochial attitude to their job. They do not say, when something needs to be done, that it is not within their domain. On the contrary, they are always ready to help. They are prepared to go beyond their particular job requirements. What is important to them is the greater good of the organization. And to make this happen, leaders set the example by being good corporate citizens themselves. They make an enormous effort to practice what they preach. They take their roles of coach, cheerleader, and mentor very seriously. Barnevik reminds his executives of the need "to walk the talk"; likewise, the top executives of Virgin are always ready to give a helping hand where needed.

Branson and Barnevik know that the key ingredient for encouraging people to speak their mind and be frank is trust. Creating an atmosphere of trust in their respective organizations is an extremely high priority for them. They know that factors such as
competence, credibility, consistency, support, respect, fairness, integrity, openness, and honesty are key elements of the trust equation. They do not kill the bearer of bad news, knowing that such action will hamper the information flow in the future. Most important for the creation of trust in an organization, however, is communication. And here we come back once more to the “teddy bear” quality that some of these more effective leaders possess: their ability to provide an emotional holding environment where people feel listened to.

Nurturing the creative potential of people in organizations is a very delicate process. Not much is needed to kill that potential and cause creative people to leave (or worse, to steer clear of the organization in the first place). Because the mind-set created by senior management is critical, leaders need to be conscious of the attitude they disseminate in their organization. Remembering that they are the ones who set the tone, they should attempt to create a safety net for new ideas. A belief system that says that there is only one way of doing things, that there is only one right answer to a problem, by definition precludes creativity. Leaders who cultivate the “not-invented-here syndrome”—that is, who think that all wisdom comes from their own organization, that others have nothing to offer—can have a very stifling effect on their organization. Related problems include parochialism that draws people into turf fights, a corporate mind-set that sees venturing into uncharted territory as too risky, and the belief on the part of leadership that play is frivolous, that one should not be foolish. All these attitudes should be interpreted as danger signs.

First and foremost in the effort to foster workplace creativity, leaders must be aware of the creative person's need for transitional space. If that need is thwarted, how can he or she really be creative? To stimulate creativity—to open up that transitional space—organizational leaders must be willing to bend the rules and accept underdeveloped ideas, tolerate ambiguity, show empathy, and make quick decisions (rather than postponing decisions by, say, proposing elaborate committees to study ideas). Last, but
certainly not least, as I have said before, they should allow mistakes (and not dwell on them). After all, chaos breeds life, while order breeds habit. And whereas your habits are very easy for your competition to copy, creative talent in your organization is a unique asset.

A metaphor for the kind of workplace that effective leaders create is that of a jazz combo. In a jazz combo, all musicians work together to produce harmonious music. For each player, however, there is ample room to improvise as a soloist. Leaders such as Branson and Barnevik provide plenty of opportunities for solo performance. They realize that if people get the opportunity to spread their wings, they may really take off. They know how to nurture the creative spirit in their organizations. They go to great lengths to make life in their organizations a meaningful experience and to ensure that people really enjoy what they are doing.

The era of the highly structured organization is a fossil of the past. Rigidity in organizational design, a hierarchical structure, and power-hoarding are recipes for corporate disaster. Senior executives should heed the fact that organizations that do not maximize the potential of today's executives will not have the kind of creativity and imagination needed to survive in the global business world of the twenty-first century.

When Alexander the Great visited Diogenes and asked whether he could do anything for the famed teacher, Diogenes replied, 'Only stand out of my light.' Perhaps someday we shall find the key to heightened creativity. Until then, one of the best things we can do for creative men and women is to stand out of their light.