

The Cunning Plots of Leadership

BY THOMAS A. STEWART

Nothing serves a leader better than a knack for narrative. Stories anoint role models, impart values, and show how to execute indescribably complex tasks.

You don't hear a lot of Henry Luce stories around here now. I heard my first one during a job interview 9 1/2 years ago. Dick Stolley, one of Time Inc.'s editorial viceroys, had suggested that FORTUNE might suit me; I'd offered as how I liked reading about business but didn't know a whole lot about it. No matter, said Stolley: "Luce used to say it's easier to teach a poet how to read a balance sheet than it is to teach an accountant how to write."

When I started here, you heard Luce stories all the time. But Luce died 31 years ago, and most people who knew him have retired. "Luce always said..." and "I remember once when Harry..." - those phrases aren't spoken. In their absence you can hear, if you listen closely, a story. The story is about stories-in particular, about how telling stories is a management tool too rarely used that can be wonderfully effective, and which, ironically, is often disparaged by leaders who can benefit from it most.

The Luceana I heard mostly came from Marshall Loeb, then FORTUNE's managing editor. Says he: "I used Luce stories quite consciously." Retired from Time Inc. but constitutionally incapable of retiring, Marshall is now editor of the Columbia Journalism Review. Most often he told stories about ethics. "Luce was no rube," Marshall remembers, "but he believed a God in heaven weighs certain things. So he would quite normally and naturally say, 'I wonder what the Man Upstairs would think about that.'" Other times Marshall told stories about gestures-how Luce anonymously helped pay the college tuition of the son of an employee who'd died, for example; always, it seems, these stories showed that we were all in this adventure together. Or Marshall told tales, often funny ones, of Luce's intellectual appetite, which was insatiable and almost naively indiscriminating between minutiae and big ideas. Says Marshall: "The lesson there was, 'Hey, kid, you have to have incredible curiosity.'"

The stories all carried a lesson, and it was usually about morals, morale, or mores. That's a pretty good summary of what one kind of storytelling does brilliantly. These are "stories of identity," to borrow a term from Howard Gardner, professor of education at Harvard and author of *Leading Minds*, a study of the psychology of leadership. Stories of identity convey values, build esprit de corps, create role models, and reveal how things work around here. More important than memos, mission statements, newsletters, speeches, and policy manuals almost ever are, stories, says Gardner, "constitute the single most powerful weapon in the leader's literary arsenal." According to Charlotte Linde, a linguist at Stanford University and the Institute for Research on Learning in Menlo Park, Calif., stories of identity help organisations bring in new members, adapt to change, and, crucially, define who is "us" (and who "them") and why we're here. She adds: "Stories play a big role in institutional memory-they are the principal means by which groups remember."

Stories are such potent carriers of values and memory—even false memory—that variations on the same yarn, like urban myths of the alligators-in-the-sewers variety, sometimes show up in more than one company. For instance, many companies share the story of the day an underling stops the boss from breaking a rule. In the IBM version, Tom Watson praises the security guard who forces him to go back for his identification. But when a Reylon receptionist won't let Charles Revson walk off with a sign-in sheet, he fires her. In one company the moral is, We obey rules; in the other, We obey rulers.

Great leaders instinctively rely on stories to connect with their followers, according to Gardner's studies of George C. Marshall, Alfred P. Sloan, Margaret Thatcher, and others. For the rest of us, it's possible to learn what geniuses intuit. "You can teach managers to be storytellers," says Richard Stone, head of the StoryWork Institute in Orlando. A former ad man who sold his agency eight years ago, Stone now helps companies find and circulate stories, especially as a way of strengthening or changing their values. Says Stone: "To change an organization, you have to change its stories." Likewise, to preserve an organization means preserving its stories.

One of Stone's clients is Nighttime Pediatrics Clinics, which runs five after-hours clinics in the Salt Lake City area and has annual revenues of about \$8 million. As the company grew—about 80,000 kids come through the doors of a Nighttime clinic every year—and was forced to wrestle with the strictures of managed care, CEO Teresa Lever-Pollary worried that values such as child-centred care, teamwork, and informality were becoming attenuated. "One of my roles," she says, "is to solidify culture so it extends beyond the president and myself"

Last year she asked Stone to gather reminiscences from doctors, nurses, clerks, and parents. They spoke of a doctor who bent the clinic's rules to treat a disoriented old woman; a payroll manager who persuaded management to trash an expensive investment in flawed new software; a nurse who drove a teenage mother and her sick child home on a snowy night. The result—a small book called *Nighttime Stories*—was given out at the company's 15th birthday celebration last year. Says Lever-Pollary: "It has helped people remember what's special about us. My staff now has examples to follow. I think patients are getting better service." She's sufficiently happy that she has begun work on a second edition. This one will emphasize management "how we treat each other" — complementing the first collection's focus on how to treat patients and their parents.

In addition to playing a powerful role as carriers of corporate culture, stories can serve as tools to be applied at a less exalted level—"down in the guts of the work," as Charlotte Linde puts it. They have become a staple of training and development at Eskom, the South African electric utility company. The world's fifth biggest electricity producer, Eskom has put itself through remarkable transformations. It was a bureaucratic fatso when a 1975 business plan promised to double employment while increasing output just 5%. Instead, since 1988 it has cut employment and upped output by 30%, almost doubling labor productivity and nearing its goal of becoming the world's lowest-cost electricity producer. At the same time, the state-owned company has embraced the dramatically changed nature of the post-apartheid state. Eskom had suppressed non-white employees and neglected non-white customers. Now it is on track to having a management, professional, and supervisory group that is 50% black by the end of 2000—while improving financial and technical measures of performance.

That has meant lots of training at all levels, a daunting task when a third of the work force is illiterate and many employees had been systematically shut out of any sense of participating in the company's future and given only minimal training. Storytelling-often playing off Africa's rich oral traditions-has become one key means of teaching. Says Nomsa Mdakane, head of Eskom's learning program: "We do what you do in a village at a mimbizo- this is a Zulu word for gathering." A group of mill workers, who operate machines that grind coal to powder-noisy, dirty work-meet with a facilitator to talk about what they do. What emerges is a story - a story about how the coal dust fires boilers that make electricity, how their work contributes to making electricity more cheaply, how that helps their families and neighbours; a story-stories, really, told by the workers - about what goes wrong if the mills aren't clean and how to clean them best. The stories, Mdakane says, teach the lesson that "we all need to be eating from one pot, which is the business, and stop protecting 'what belongs to me.' "

It's not just illiterate mill workers who thrive on stories about the guts of the work. Xerox's technical reps - repairmen - famously learn how to fix copiers not from manuals or classrooms but from swapping stories around the coffee pot, as a series of studies has shown. Those stories have since been collected in a database called Eureka, whose annual value to the company, according to chief scientist John Seely Brown, is over \$100 million.

To improve its ability to sell large contracts, IBM is using a novel way of constructing narratives. That experiment highlights another virtue of storytelling: It helps organisations bring tacit knowledge to the surface. Explicit knowledge is stored in manuals, file cabinets, documents, databases, and so on. It's often a mess, hard to search, and incomplete but it can be found. Tacit knowledge, by contrast, resides in narratives-and the more complex it is, the less likely it is to be documented. Says David Snowden, an expert on tacit knowledge at IBM Global Services: "Stories are the way we communicate complex ideas."

One of IBM's most complicated tasks is selling global accounts. These are big deals, multiyear contracts across multiple lines of business, involving millions upon millions of dollars. Prospecting, courting, negotiating, and closing such deals can take years. Each deal is different, yet there are things to learn from past successes and failures, and the deals are so big that even a small improvement in the success rate or time involved could be worth millions of dollars. To get at the knowledge, IBM has been reassembling the people who worked on a deal and asking them to relive the story-interrupting, correcting, supplementing, reminding each other of who did what when, and why-while video cameras record the event. The result, says Snowden, is a pirate's caveful of ideas that can be lifted from the tapes and shared as best practices; more than that, dealmakers get a feel for how the process works when it's going well, and for the kinds of things-remember, they'll be different every time that derail it.

The moral of the story? A very simple one: If stories are powerful, and if stories are going to be told-true and false, official and underground, flattering and humiliating - then leaders and managers need to be part of the process. First, suss out how story-rich the place is. A lack of storytelling, Gardner says, betokens an environment where management is too controlling. Ask yourself whether the stories-about the founder, about the guy who got canned, about why the boss got her job-are ones that tell people to shut up or step up, that include or exclude. Is there room for mistakes in the company story? Linde believes that the oft-told tale of how Xerox fumbled the future-inventing the

fax and the personal computer only to see others turn them into successful commercial projects has been a good thing for the company. It offers a warning about cockiness but at the same time the assurance that one can make mistakes and recover from them.

Managers also need to learn how to enlist the everyday teaching power of stories. When someone blunders, Stone says, not only he but you too will learn far more from the story - "What happened? Why did this seem like the right thing to do? What did you do next?" - than from a dressing-down. And managers need to recognise that stories aren't a distraction from work-they're part of the fabric of it. When people criticised his magazines for relying too much on anecdotes, Henry Luce used to say, "We didn't invent the idea of delivering news through stories about people. The Bible invented it."

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