

Introduction

THE BULLSHIT FACTOR

The corporate universe is entering its third and most complex phase: the age of psychology-based management. In this new age the secret of business success will reside in the health and courage of the corporate psyche.

The first phase of corporate evolution stretched from the mid-19th century until the end of the Second World War in 1945 and was marked by the emergence of enterprises organised around relatively simple manufacturing production processes or the distribution of natural resources such as oil. They developed as 'industrial model' companies run by centralised command-and-control management systems similar to the military mind.

The second phase, from around 1945 until the end of the 20th century, saw the rise of a huge fraternity of multinational giants that have collectively become the dominant influence shaping the world economy and the texture of our everyday lives. Many were first-phase industrial model companies driven by aggressive new strategies for international expansion. But a great many others were new brands launched during the long post-war boom – brands that leveraged technologies and product innovations in an unprecedented way. Together these second-phase corporations have transformed the way we live, work and spend.

But over the later years of the 20th century there was also a parallel development that was to help create a new context for business and usher in a third phase of the corporate saga. People have changed. From mass markets of acquiescent and loyal consumers, attitudes have shifted towards a more individualistic outlook that calls on the corporate world to recognise and cater for their personal aspirational tastes – to engage with them in an increasingly customised way. In parallel with this there is now a growing focus by consumers on how businesses conduct

themselves, on the idea of the 'likeable company'. Studies show that people want to work for, buy from and/or associate with organisations they respect, admire or identify with. Investment in ethical funds has soared, while consumers regularly punish big brands when their parent companies break the rules.

This trend has been reinforced by the epidemic of corporate wrongdoing that afflicted the business world as it entered the new millennium. It was personified by the Enron scandal and the related demise of Arthur Andersen, but the taint of fraud and greed has spread across the whole corporate landscape. As a consequence, regulatory authorities are now imposing rigorous standards on boardroom behaviour, with legal codes that impose million-dollar fines and send bosses to jail. For all these reasons, corporate conduct has now moved centre stage and honesty, truthfulness, transparency and fair dealing will be the watchwords for business leaders in the years ahead.

The third phase of corporate evolution is therefore about the personality traits that drive the actions of an enterprise – about the condition of its corporate psyche. How balanced and healthy is that psyche? Is it manifested in good conduct? And, of more pressing relevance to its survival and success, does that psyche support the future strategy and vision of the business? We will spell out in greater detail the key drivers of a healthy corporate psyche – and the various descriptors of a dysfunctional one. We will identify and explain seven psychological conditions that can be observed in the corporate community: *inertia*, *pessimism*, *timidity*, *frustration*, *aggression*, *arrogance* and *courage*. As with people, these psychological conditions have a direct bearing on an organisation's potential for achieving its future goals.

The marketplace of the 21st century will penalise companies that fail to address this new agenda. Just as important, it will penalise those companies that cover up, deliberately or unwittingly, underlying personality flaws and negative intent with an outer wrapper of cheesy, disingenuous conduct and hollow messages – with corporate 'bullshit'.

Companies that lie to themselves about who and what they really are – and hope their employees, customers, investors, suppliers and other stakeholders will not notice – may not survive for long.

It's All in the Corporate Mind

So it is time to change the way we analyse companies and the way they function. We need to move away from old-style management 'gurus' and strategists and adopt a new, hybrid discipline that blends professional psychology skills with marketplace savvy to gain valuable insights into why companies behave the way they do. The nature of this behaviour gives us vital clues as to the condition of a company's underlying psychological state and in doing so helps identify those companies that will succeed while others are doomed to fail. It also offers the means by which those companies confronting failure because of an ailing psyche can be given a new direction, towards revival and profitability.

The practical implications of this new approach are profound – truly revolutionary in how we look at the future of world business. The well-publicised collapse through scandal of leading companies like Enron, Arthur Andersen, Parmalat and WorldCom, the decline for other reasons of long-established companies like Polaroid, Swissair and Pan Am and the ongoing commercial woes of leading brands like Philips, Levi Strauss, Sony and Marks & Spencer have all raised a blunt question: What went wrong? The superficial answers, of course, differ widely and range from criminal conspiracies and corporate greed to managerial incompetence or plain bad luck. But such case studies focus only on companies that have already fallen prey to some inner psychological weakness. Among the many thousands of companies operating in the global marketplace in a seemingly successful way, a surprisingly high percentage are unknowingly afflicted by personality disorders that could lead them, too, into business oblivion.

The Bullshit Factor is a radical departure from traditional thinking about business success. It is not about processes, products or clever marketing

programmes. Nor is it about human brilliance in the boardroom. It is about the deep-rooted psyche of an enterprise that can only be found way beyond the actions of key executives, in a corporate persona invariably built up over many years.

In this sense it may be regarded as a pioneering book that will perhaps stir debate and disagreement. There is, of course, a small niche sector in management writing that looks at certain aspects of psychology in business. Manfred Kets de Vries, for instance, in his recent study, *The Leadership Mystique*,¹ examines the 'leadership factor' in corporations. As one reviewer observes:

de Vries unpicks the many layers of complexity that underlie effective leadership and gets to the heart of the day-to-day behaviour of leading people in the human enterprise.

As those words confirm, de Vries goes no further than looking at the role of people in corporate behaviour. To get to the real truth you need to dig into the deepest levels of an organisation's psychological make-up and unravel its innermost personality traits by looking at what it says and does as an organisation and at the outer symbols it presents to the world around it as indicators of what is going on within.

There are also people in the psychology/law profession who address such issues as whether the corporation is a legal person and what roles and responsibilities it should adopt in helping create a better society. They touch on the possible connection between corporate psyche and business failure. One good example is Harry Levinson, who, in a paper, *Why The Behemoths Fell*,² published in 1994, attempts to unravel the reasons why large and previously successful organisations often experience difficulty adapting to significant changes in their marketplace. Levinson describes business organisations as 'living organisms' that have 'psychological verities'. Sometimes, he says, these verities create patterns of inertia that lead to missed business opportunities.

Levinson mentions two major examples of potentially fatal inertia that could be attributed to a form of corporate narcissism. One is General Motors' lethargy and inaction when confronted by early signs of powerful Japanese competition; GM simply stuck its corporate head in the sand. The other is IBM's failure to address the challenges of a shifting IT marketplace; it stayed rigidly attached to big commercial mainframe computers at a time when the frontiers of technology were being pushed back to make room for the desktop PC. In both cases their inaction had a serious impact on the bottom line. By the early 21st century, Toyota was three to four times more profitable than GM. In 2005 GM suffered a \$10 billion loss and subsequently announced thousands of job cuts. In IBM's case the result was a descent into an \$8 billion quarterly loss in 1993 that took years to reverse. In 2004 IBM sold its PC business to the Chinese – the equivalent of McDonald's selling off its burger business. It was part of a familiar pattern of corporate myopia for IBM: in the 1980s it hired a young college dropout called Bill Gates to develop an operating system for its PC range, but allowed Gates to hold on to the intellectual property rights of the system. IBM believed – wrongly – that the future of information technology would be firmly rooted in hardware, not software. Today the Microsoft Corporation Bill Gates founded ranks amongst the top 50 US companies; in 2005 it matched IBM's \$8 billion annual profits.

The Icarus Paradox by Danny Miller,³ published in 1990, follows a related theme. The book notes that great corporate success often precedes severe decline. Miller argues that the cause is a tendency for successful companies to continue backing their internal winners while depriving other innovative departments of the resources they need to generate the next phase of success. 'Very few organisations,' he says, 'repair the roof when the sun is shining.' But both Levinson and Miller argue that the reasons for failure lie not in the embedded psychological traits of the organisation but in flawed relationships at managerial level. Levinson, for example, maintains that companies usually stumble because the

chief executive was unable to take into account the psychological factors governing working relationships between his senior people. As we shall demonstrate, this is an important consideration, but is only part of the explanation as to why companies hit trouble. The main reason is invariably locked away in the overall psychological condition of the organisation itself. Our two examples of GM and IBM, for instance, represent cases of blocked vision that stemmed from a corporate psychosis developed over many years.

Another writer, William Bridges, has brought a generalist's mindset to the task, but, again, takes us no further forward. In *The Character of Organisations*,⁴ Bridges follows a well-established route of attempting to categorise companies by use of a matrix of corporate descriptors adapted by Katherine Briggs and Isobel Myers from the work of Swiss psychologist Carl Jung. The Briggs–Myers matrix stresses characteristics of management style like extroversion and intuition (or their opposites) in driving a company's behaviour. But the result is a one-dimensional analytical tool that only addresses how a company's management might react to business challenges. It does not delve into the workings of the corporate psyche.

There is also the work of Robert Hare, an emeritus professor at the University of British Columbia, who has drawn on his knowledge of criminal psychology to develop a 'Psychopathy Checklist'.⁵ Used primarily for making clinical diagnoses of psychopaths, this checklist has long been favoured by criminal investigators, including the FBI and British police authorities, to screen potential recruits. Similar methods are also used for the testing of teachers, fire-fighters and others in positions of trust. A psychopath, after all, is defined as someone 'with no conscience, a profound lack of empathy and a hypnotic charm that masks their true nature as pathological liars, master con artists and heartless manipulators'. Hare believes that the scandals that drove Enron, WorldCom and other corporations into bankruptcy could have been avoided if his analytical tools had been used to screen executives for psychopathic tendencies prior to their taking up roles that gave them access to billions of dollars.

But he, too, stops short of looking beyond individuals to the persona of the company itself.

The Bullshit Factor makes the journey beyond people, into the psyche of the corporation. Using a unique analytical approach, it applies the lessons of human psychology to the understanding of organisations. It scrutinises every aspect of corporate behaviour, not just a corporation's habits of conduct, but its outward manifestations: corporate logos, literature, advertising and marketing campaigns, statements from the Chairman or CEO, headquarters' architecture – in fact anything that expresses an organisation's 'corporate voice'. Its conclusions offer valuable insights into the hidden realities of today's business environment, of why companies behave the way they do, and how, to the trained eye, this conduct gives important clues about their psychological health and their chances of survival.

Understanding the psychological roots of any company's behaviour is vital to assessing its fitness for the future, whatever its size or the business sector in which it operates. The marketplace of this new millennium is very different from the mass markets that developed during the 20th century and created the disciplines of mass advertising and marketing. This new environment is being shaped by powerful trends in technology and social attitudes and the emergence of an 'aspirational consumerism' that puts the customer in charge. The rise of what we can call the 'Who am I?' marketplace – in which consumers see their buying decisions as acts of self-identification and personal expression – will demand changes in the way businesses sell their products and services and the channels they use to reach their customers.

People also think differently about what they expect of business organisations. Studies show that consumers now want companies to put good conduct at the top of their priorities and to focus on corporate transparency and good governance. Because of this shift in public thinking, commercial success now increasingly depends on achieving an ethos of clarity and truthfulness – qualities that reflect a company's

psychological condition and which can only be found on the invisible side of the corporate balance sheet.

This book therefore poses a powerful challenge to traditional thinking about corporate practices and raises uncomfortable issues for every business decision-maker. What is a psychotic company? Why may such a company be doomed? What can be done to promote its psychological well-being? What is the secret of a healthy psyche? Can a company succeed if its psyche does not accord with its long-term commercial goals? Do dynamic leaders make any difference if the corporate psyche is out of sync? What mix of people and skills does a company need to support its psychological characteristics? What can we learn from analysing the psyche of successful enterprises – and that of those that have failed? Where are the possible corporate failures of the future? Many of these possible failures are today present amongst the ranks of the world's leading companies.

Corporate Disguises

The central theme of this book is that organisations present a personality to the world that is invariably misleading. It is misleading because it springs from some form of corporate self-delusion that prompts an organisation to lie to itself and others about what it truly is and does, in the same way that people may project the image they desire others to see instead of the one that reflects their true personality. For a business, the result is corporate bullshit – a corporate voice that sends out signals that do not match the underlying psychological realities. This mismatch can lead to flawed strategies, ambitions and beliefs, and ultimately to business difficulties and failure.

We explore the critical difference between a 'courageous' company and those beset by *inertia*, *pessimism* or *timidity* – 'passive' emotions that block their capacity to move forward through their depressive, negative impact. We also spell out the probable consequences for a business of being driven by the 'active' emotions of *frustration*, *aggression* and

arrogance, which block vision by crowding out clear thinking with a jumble of misplaced ambitions. We contrast the power of corporate clarity with the negative energies that flow from corporate self-deception or warped perceptions about key realities. We unravel case studies of massive corporate denial that betray a deeply flawed underlying psyche. And we explore the personality characteristics that define a winning business.

Sceptical readers may think our theme is just another interesting, but passing, perspective on the business scene. They may believe it will soon go the way of other management theories that gather dust on the bookshelves of business schools and college libraries. In their time they were accepted as the Holy Grail for business leaders. And in time they have each given way to the next 'Big Idea' for managers. But this misses the point entirely. *The Bullshit Factor* is not a theory of management but a means of understanding the risks associated with a dysfunctional corporate psyche. We argue that only companies that have a clear, unambiguous, honest perception of what they are all about – a courageous persona – will be capable of managing for success in the long term.

In case the title of this book offends you, we would draw your attention to a recent essay by the respected American moral philosopher Harry G Frankfurt. In *On Bullshit*,⁶ Frankfurt attempts to build a theory around the topic and in doing so makes a bold bid to define the spirit of the modern age. Bullshit, he observes, is an inevitable product of public life, 'where people are frequently impelled – whether by their own propensities or by the demands of others – to speak extensively about matters of which they are to some degree ignorant'. This observation will resonate through the pages that follow.

Frankfurt explores how bullshit is distinct from lying and argues that bullshitters misrepresent themselves to their audiences in a way that differs from liars. When people lie, he says, they deliberately make false claims about what is true. But they still have purchase on the idea of truth.

Bullshitters seek to convey a certain impression of themselves without being concerned about whether anything at all is true. Bullshitters are indifferent to the truth. Frankfurt concludes that although bullshit can take many innocent forms, excessive indulgence in it can eventually undermine the practitioner's capacity to tell the truth in a way that lying does not. Liars at least acknowledge that it matters what is true. And so, Frankfurt argues, bullshit is a greater enemy of the truth than lies are.

One explanation put forward for the pandemic of bullshit in the business world, on which this book reports, is the communications revolution of 24-hour rolling news and instantaneous information via the Internet. This revolution, runs the reasoning, has created an open-ended demand for comment and opinion and, frankly, there is just not enough 'truth' to go round. Brief reflection should, in fact, produce the opposite view, that this flood of information across global cyber-networks makes it more difficult to get away with fabrication.

The Bullshit Factor argues that the issue runs more deeply than this and is rooted in the inherent dynamic that impels corporations to succeed by any means, at any cost. And, in any case, bullshit has been around since people could talk. But, certainly, modern technologies may have presented us with a new danger. The preference of the 21st-century media for 20-second sound bites and glib buzz-phrases militates against hearing the more substantial arguments of specialists who lack the 'skills' of silver-tongued brevity and glossy performance so beloved of the broadcast networks. If this is true, we have handed over our lives – and our future – to the bullshit merchants.

Part One

THE COMPANIES WE KEEP