

McKinsey Quarterly

Tom Peters on leading the 21st-century organization

Thirty years after leaving McKinsey, the prolific author returns to discuss tomorrow's management challenges and the keys to organizational change and transformative leadership in any age.

About two years ago, Tom Peters felt as if he were falling behind. In response, he cleared out his calendar and spent much of the next 18 months reading recent business books. The result? "I'm more confused than when I started," he quips.

The remark is vintage Peters—a stimulating mix of provocation, sloganeering, down-home wisdom, and self-deprecation. In a world that's anything but straightforward and simple, Peters refuses to reduce business and management to an orderly set of bullet-point prescriptions. This is, after all, the man who famously declared that "If you're not confused, you're not paying attention."

Across the nearly 40 years Peters has been writing about business, he has remained a remarkably consistent champion of what might be called the "softer" side of management. His many books and articles have, as much as anything, beaten the drum for the personal meaning and significance that workers, managers, and executives can draw from the hours, days, and years they spend working for a living. A hint: it's not about accumulating wealth or getting promoted to the top.

Not that Peters hasn't kept up with the changing times. He was one of the first to take to the blogosphere, in 1999. His Twitter presence is prolific. And his relentless calendar of speeches and client

engagements continues to expose him to a wide range of big and small companies across the globe—a source of ongoing renewal.

Now 71, the former Navy Seabee and McKinsey partner took time away from the pastoral pleasures of his Vermont farm—and his heavy travel schedule—to visit McKinsey’s Boston office for a wide-ranging discussion with Suzanne Heywood and Aaron De Smet, two leaders of the firm’s Organization Practice, and *Quarterly* editor in chief Allen Webb.

The Quarterly: *This year marks the 40th anniversary of your start in McKinsey’s San Francisco office. From the perspective of your many years helping executives, what would you say is missing from today’s discussion about management?*

Tom Peters: Well, one answer to that, as far as I’m concerned, is “I don’t know.” My real bottom-line hypothesis is that nobody has a sweet clue what they’re doing. Therefore you better be trying stuff at an insanely rapid pace. You want to be screwing around with nearly everything. Relentless experimentation was probably important in the 1970s—now it’s do or die.

It takes a certain confidence, though. The first partner I worked for at McKinsey had the self-assurance to look a chief executive officer in the eye and say, “We don’t know what the hell’s going on. Can we play with this together?”

The Quarterly: *How do you find a focus if you’re experimenting with everything?*

Tom Peters: Peter Drucker once said the number-one trait of an effective leader is that they do one thing at a time. Today’s technology tools give you great opportunities to do 73 things at a time or to at least delude yourself that you are. I see managers who look like 12-year-olds with attention deficit disorder, running around from one thing to the next, constantly barraged with information, constantly chasing the next shiny thing.

The only thing on earth that never lies to you is your calendar. That’s why I’m a fanatic on the topic of time management. But when you use that term, people think, “Here’s an adult with a brain. And he’s

teaching time management. Find something more important, please.” But something more important doesn’t exist.

Did you ever read *Leadership the Hard Way*, by Dov Frohman? The two things I remember from that book are, one, that 50 percent of your time should be unscheduled. And second—and I love that this is coming from an Israeli intelligence guy—that the secret to success is daydreaming.

The Quarterly: *What else should executives do with all that unstructured time?*

Tom Peters: I was at a dinner party recently with a guy who’s probably one of the top ten finance people in the world. At one point

Tom Peters



Vital statistics

Born November 7, 1942, in Baltimore, Maryland

Education

Graduated with bachelor’s and master’s degrees in civil engineering from Cornell University and an MBA and a PhD from Stanford University’s Graduate School of Business

Career highlights

The Tom Peters Company (1984–present)

Founder and chairman

McKinsey & Company (1974–81)

Partner

The White House (1973–74)

Drug-abuse adviser

US Navy (1966–70)

Combat engineer in the Seabees

Fast facts

Coauthor, with Robert Waterman, of *In Search of Excellence: Lessons from America’s Best-Run Companies*; ranked by NPR as one of the “top three business books of the century”

Has traveled more than 5 million miles, giving more than 2,500 speeches in 67 countries

Followed by more than 107,000 people on Twitter

Helped create the 7-S framework of organizational effectiveness

he said, “Do you know what the biggest problem is with big-company CEOs? They don’t read enough.”

Isn’t it intriguing that’s number one on his list? We’ve always had to keep up. But now we need to be students in a way that maybe we haven’t been before. Albert Allen Bartlett said that “the greatest shortcoming of the human race is our inability to understand the exponential function.” I think he was talking about the sustainability of population growth, but he might just as well have been talking about how big companies never outperform the market over the long haul.

The Quarterly: Or about increasingly short executive tenures.

Tom Peters: The question is how do you survive? One way to deal with the insane pace of change is by living to get smarter and to learn new things. Another way is by going up the value-added chain beyond the kinds of tasks and roles that can be automated. Kleiner Perkins just hired the former president of the Rhode Island School of Design, John Maeda, as one of their general partners. His role is to introduce design thinking into each of the companies that Kleiner Perkins invests in, to get the design element into them. Machines can automate a lot of things, but design is something humans do best. It’s part of the way you play around with things—part of the relentless experimentation. You falter, you get back up, and eventually you figure things out. That’s the design process.

“Design mindfulness” has got to be in everything you do—down to the littlest thing. Even the language you use in your e-mails. There’s a character to communications. There’s a character to business. It’s how you live in the world.

The Quarterly: And this informs organizational design too, right? Going beyond lines and boxes on the org chart.

Tom Peters: I hate to ever defend lines and boxes. But I also don’t believe that hierarchy is dead. I flew 40 hours with Emirates Airline last week, and I want to think there were charts and boxes in the Emirates Airline operation, particularly in the Mechanics Department. I said to somebody while I was there, “I’m trained as a civil engineer.

I want to drive across a bridge where there was a project manager whose alternate name was ‘son of a bitch.’”

But at the same time, the fact that people think first about lines and boxes means they haven’t gotten the corporate-culture message yet. Lou Gerstner has this wonderful passage in his book that says something to the effect of, “When I came to IBM I was a guy who believed in strategy and analysis. What I learned was that corporate culture is not part of the game: It is the game.”¹

You know, I was a San Francisco 49ers fan, and their great coach Bill Walsh said the same thing. In 1979, he inherited a team that had won 2 games and lost 14 the previous season. His entire first year was teaching football players how to wear coats and ties on buses. And he said, “The key is to become a professional organization.” On the one hand, coats and ties may be a formality, but Walsh said, “You’ve got to do the corporate culture first.” Two years later, he won the Super Bowl.

The Quarterly: Having Joe Montana on his team helped.

Tom Peters: I would not disagree with that; how could a 49ers fan disagree with that?

The Quarterly: Our own research into organizational performance and health finds strong correlations between the “soft” stuff and shareholder returns, which probably doesn’t surprise you. What’s the best way to think about the softer side of management?

Tom Peters: Unless you were born with a very, very silver spoon, you’re going to spend the majority of adult life at work. Why shouldn’t this be a joyful experience or an energetic experience or a vivid experience?

If you’re a leader, your whole reason for living is to help human beings develop—to really develop people and make work a place that’s energetic and exciting and a growth opportunity, whether you’re

¹ Louis V. Gerstner Jr., *Who Says Elephants Can’t Dance?: Inside IBM’s Historic Turnaround*, New York, NY: HarperBusiness, 2002.

running a Housekeeping Department or Google. I mean, this is not rocket science.

It's not even a shadow of rocket science. You're in the people-development business. If you take a leadership job, you do people. Period. It's what you do. It's what you're paid to do. People, period. Should you have a great strategy? Yes, you should. How do you get a great strategy? By finding the world's greatest strategist, not by being the world's greatest strategist. You do people. Not my fault. You chose it. And if you don't get off on it, do the world a favor and get the hell out before dawn, preferably without a gilded parachute. But if you want the gilded parachute, it's worth it to get rid of you.

The Quarterly: *Do you feel leaders are starting to get that message rather than giving greater importance to the charts-and-boxes approach?*

Tom Peters: Some of them. Maybe 5 percent? Somebody once asked me, "What is your number-one goal in life?" I said, "My number-one goal in life, at the age of 71, is to be able to walk past a mirror without barfing."

People say that fame is important, but in the end it really isn't. People say that wealth is important, but in the end it really isn't. My ex-wife had a father who was in the tombstone business. I've seen a lot of tombstones. None of 'em have net worth on 'em. It's the people you develop. That's what you remember when you get to be my age.

I don't have much patience with CEOs who don't see it that way.

The Quarterly: *Why is it so difficult to make that sale—to get the culture point across?*

Tom Peters: In his new book,² Rich Karlgaard says that companies end up in a vicious—rather than a virtuous—circle, in which the people who get promoted to the top and the people who advise them come from "the dark side," meaning they're less engaged with the

² Rich Karlgaard, *The Soft Edge: Where Great Companies Find Lasting Success*, San Francisco, CA: Jossey-Bass, April 2014.

people side, the culture side, the values side of things. There's a bit of truth to that.

The Quarterly: *Let's come back to the question of change. How does change come about?*

Tom Peters: We're in the big-change business, aren't we? Isn't that the whole point? I mean, any idiot with a high IQ can invent a great strategy. What's really hard is fighting against the unwashed masses and pulling it off—although there's nothing stupider than saying change is about overcoming resistance. Change is about recruiting allies and working each other up to have the nerve to try the next experiment. You find allies. You encircle the buggers.

You don't bring about change in real big meetings or virtual meetings. You bring it about one person at a time, face to face—when we discover we have some common interests and we're both pissed off, say, at too many CEOs who talk about charts and boxes. And so we create a conspiracy. It's a subversive act, and being coconspirators in a subversive act requires trust and intimacy.

Change is also about giving reinforcement at precisely the right moment. I like to say that I never help anybody travel 95 yards down a field. I find people who are already on their opponent's five-yard line, and at exactly the right moment I give 'em a very big, swift kick in the butt. And they fall over the goal line.

The Quarterly: *How, if at all, do today's communications technologies change the equation?*

Tom Peters: I'm more than willing to say that today's two year old is going to deal with his or her fellow human beings differently than you or I do. But the reality is it's 2014, not 2034, and I would argue that for the next 20 years, we're still safe believing in the importance of face-to-face contact. I'm not arguing against virtual meetings, but I'm telling you that if I'm running IBM, I want to be on the road 200 days a year as much in 2014 as in 2004 or in 1974. It has nothing to do with the value of the tools, but I've got to see you face to face now and then; I don't think I can do it all screen to screen.

Maybe the virtual-reality tools of 2024 are going to erase the need for that; I don't know. But I still can't conceive of attempting to

change a sizable organization without being on an airplane 200 days a year.

The Quarterly: *You spend a considerable amount of time with large and small organizations. How would you describe the difference between the two?*

Tom Peters: We tend to confuse 5 percent of leading-edge companies with the entire economy. And that's a real problem.

It's also important to recognize that there's Silicon Valley and then there's ROP, Rest of Planet. The fact that Google and Facebook might be doing this or that particular thing is interesting, but they don't exactly employ all four billion of the working people in the world.

I was looking at a US job-creation report recently. Only 5 percent of the jobs had come from companies classified as big. All the rest of 'em came from small and midsize enterprises. There's certainly a difference in how they respond to my speeches. People who work for big businesses tend to come up afterward and say, "It's the best speech I've ever heard in my life, but I can't do anything—my boss won't let me." Small-business people say, "It was the lousiest speech I've ever heard in my life, but I'm going to take one thing and do it tomorrow morning."

Now one answer to that, if you believe former US labor secretary Bob Reich, is to put more women in management. They know how to do a work-around. Men don't know how to do work-arounds, because the only thing we understand is hierarchy. That's an exaggeration, of course, but then again the neuroscientists tell us it's not that big an exaggeration. The male response is, "I can't do anything about it 'cause my boss is really against it." And the female response, by and large, would be, "Well, I know Jane who knows Bob who knows Dick, and we can get this thing done." They do it circuitously.

The Quarterly: *Is a 21st-century leader different from a 20th-century one?*

Tom Peters: I used to have a little slide in my presentations back when the century was turning. And it said, "Plus 21L equals minus 21L." And the point was that 21st-century-AD leadership is probably just about the same as 21st-century-BC leadership. And,

fundamentally, it is about organizing the affairs of our fellow human beings to provide some sort of a service to other people.

At some deep level, people are people, and so I believe passionately that there is no difference between leading now and leading then. What I certainly believe is that anybody who is leading a sizable institution who doesn't do what I did and take a year off and read or what have you, and who doesn't embrace the new technology with youthful joy and glee, is out of business. ◎

This interview was conducted by **Suzanne Heywood**, a director in McKinsey's London office; **Aaron De Smet**, a principal in the Houston office; and **Allen Webb**, the editor in chief of *McKinsey Quarterly*, who is based in the Seattle office.