SOUNDINGS

An F.U. From WaMu

BY BILL KELLEY

Movies and television usually portray the heads of companies in one of two ways: stupid or greedy, or some combination of both. However, as a TV-show writer, I have often come to the defense of executives, having written about business before writing TV comedy. No, executives are not stupid—or, at least, the ones I interviewed weren't. No, they aren't bumbling. Greedy? OK, maybe a little. Certainly, they're free-market capitalists. But then again, not many of the writers I know ask their agents to negotiate for less money, or to make sure there's plenty left over for the writers' assistants.

But maybe I was wrong.

Like most Americans, I've watched the economic collapse on television. Across industries, corporate names big and small are disappearing faster than you can say *bailout*. Everyone I know is scared about the financial future, and almost daily Americans can watch, hear, and read about a new industry or company that will go belly-up if it doesn't get desperately needed help from the federal government.

Which brings me to WaMu, formerly known by the less new-age-y name Washington Mutual. I've had a mortgage with WaMu for about a decade, a checking account even longer, and a home-equity loan that I actually pay down. I don't bounce checks, have my mortgage and equity loans paid directly from my checking, and have been told by their website that I'm a good customer. According to WaMu, my credit rating is above 700.

When WaMu's problems became more public amid reports that the company was going to go under or be bought, I didn't close my accounts. I was well under the FDIC limit, and, besides, I didn't want to be one of those people who panic during scary times. I figured that, small as my accounts were, it might be a good idea to support the bank. *Anyone* can lose billions on impossibly boneheaded loans. Who was I, a comedy writer, to judge? So I stayed with WaMu, even after reading a front-page *New York Times* article quoting a former employee who claimed that to verify the income of a mariachi-band member, the company accepted a photo of him in, well, a mariachi outfit.

The other night, I went online to check my balance and noticed a $12 service charge to my account. I hadn't bounced a check, dipped into my overdraft account, or anything like that. What I did do was fall below the minimum balance for my interest-bearing checking account. To my knowledge, this was the first time it had happened in the ten-plus years of having the account. I called customer service to discuss the fee and asked, given that I'm a good customer, could the fee be waived? I was firmly told "No." Not, "I can't, but let me talk to my supervisor." Or, "Let me look into it." Just "No," as if I had asked the customer-service representative if she could give me a hundred bucks until payday.

Then I wrote to WaMu, whose response was a legal explanation of the terms of my account. In other words, again, "No." I wrote once more, threatening to leave. WaMu's reply: "We value you as a customer and sincerely wish you would continue your banking relationship with us, but also respect your decision and discretion to know what is best to suit your needs." Apparently, in the banking industry, it's one thing to ask the government for

billions of dollars for a bailout, another if a customer asks for a $12 fee to be waived.

Now, I realize my leverage with WaMu is slight, and even without me, its leaders can be assured of their place in history as contributors to one of the greatest economic catastrophes in modern times. And unfortunately, I don't have a picture of myself in a mariachi outfit to prove my financial integrity (although I may have one somewhere of me in a Hawaiian shirt and a lei). Still, it seems shortsighted on the part of WaMu's management. Without its many smaller customers, they would not have had assets to mismanage in the first place. It also appears less than humble and an odd way for a member of the financial industry to try to regain the trust of its customers. It would be like U.S. automakers, who are practically begging consumers to buy their products, running an ad campaign stating: "If you want better mileage, get a Toyota Prius."

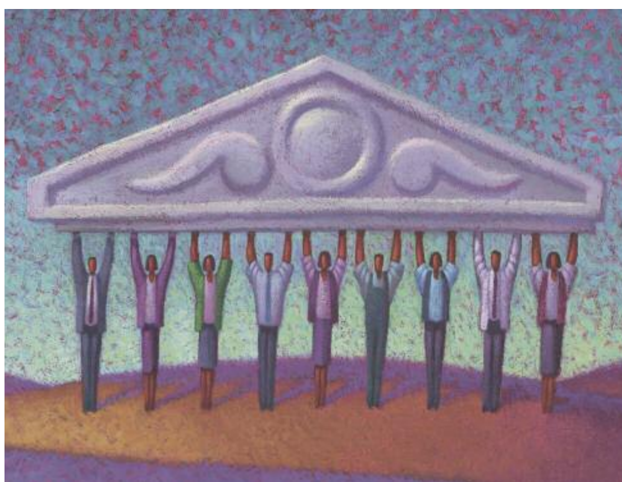
The natural inclination is to blame the customer-service representatives who spoke and wrote to me, but that would be unfair. Just like baseball players don't bunt with a man on third without the OK from the manager, front-line reps don't tell customers to drop dead unless that's the message they're getting from their managers, who are getting it from *their* managers, and so on until you get to the very top.

Which leads me to believe that, while I don't know the people in charge at WaMu, implementing a policy of dismissing long-term customers—even a tiny one in Pasadena, Calif.—makes them well, pretty stupid. And greedy.

BILL KELLEY is a writer in Arcadia, Calif. His last article was "Obsolete at 40," in the July/August 2005 issue of *Across the Board*.

HOW RECESSIONS DRIVE NEW IDEAS

BY SCOTT BERKUN



There is never a shortage of new ideas being thrown around. As long as people are considering change, there is the possibility for innovation to happen. With all the talk of recessions, cutbacks, and layoffs, everyone assumes creative thinking will suffer. Not entirely true. What it means is the kind of change that's possible is different—but opportunities are there and in fact might be easier to find than before. It all depends on where you sit and what you see. Consider the following:

LAYOFFS. I know for sure many great ideas are bottlenecked by bureaucracy, committees, and too many cooks. The only way many companies can free up their creative thinkers is by getting more people off the playing field. There is a reason why so much invention takes place in start-ups: There are few people to get in the way. Layoffs are painful if you're getting the pink slip, but if you're still in the game, all kinds of new opportunities can arise.

CUTBACKS. If you're given a goal of cutting costs by 30 percent, that means big changes are being considered. Big change means big opportunity. What is that work process (e.g., buying supplies or approving work requests) you've always thought was fat, stupid, and slow? Propose a redesign with the goal of being leaner and more cost-effective. Tons of great ideas that have been rejected before might get full support, provided they improve your organization on the dimension of cost.

FEAR CAN MOTIVATE CHANGE. The U.S. bank-bailout package is one of the largest government finance programs in history, and it was put together and passed in a matter of weeks. Few events other than crisis can force large groups to cooperate. What fears are rampant in your world, and how can you capitalize on them to make positive change happen?

> There is a reason why so much invention takes place in start-ups.

In times of growth or recession, ideas and opportunities are everywhere. They may look different or be directed toward different goals, but a creative mind can find ways to use whatever energy is in the air to support its ideas.

Right now, the companies and people who will be thriving in the next growth phase are betting on ways to capitalize on what's happening now.

SCOTT BERKUN is author of *The Myths of Innovation* and *Making Things Happen*. From his blog, at discussionleader.hbsp.com/berkun.

BY LAURIE RUETTIMANN

HR: YOU'RE DOING IT WRONG
No Business in Wellness

LAURIE RUETTIMANN is an HR professional based in Raleigh, N.C. She blogs at punkrockhr.com.

THE BIGGEST SCAM IN CORPORATE AMERICA isn't investor fraud, Ponzi schemes, or highly leveraged mortgage-backed securities. The biggest vat of snake oil being sold to executives and HR departments is the mainstream implementation of employee wellness programs.

For millions of dollars and no demonstrated ROI whatsoever, marketing professionals and charlatans across our country have convinced otherwise-successful companies that we can put an end to rising healthcare costs by focusing on chubby employees who eat too many doughnuts. There is no need to focus on the underlying problems behind our broken medical infrastructure—bloated bureaucracies, expensive delivery systems, a lack of access to preventative medicine—when there are salespeople, unregulated dieticians, and sketchy life coaches who are ready to bribe and berate your fat employees.

I am here to tell you that there is no wellness program in America that will lower the cost of your company's medical benefit program. If someone tells you otherwise, she is wrong. In fact, long-term studies from clinics and hospitals across America show that weight loss and lifestyle changes are temporary, at best, and that 95 percent of those who lose weight—and benefit from eating right and exercising—will gain back the weight within five years. Granted, wellness programs may offer some short-term solutions that satisfy the demands of shareholders concerned about rising labor costs. But most programs that focus on weight loss, stress reduction, and exercise cannot prove either a long-term reduction in benefit costs or an overall improvement to your workforce's health.

When you pay an outsourced service provider to help your employees lose weight, you lose sight of the fact that your company is not in business to babysit your pudgy employees. Your mission as a leader is to generate revenue, increase profits, and create a culture of performance. It isn't your job, or that of your HR team, to micromanage your workforce's dietary habits. Weight Watchers is a great way to make friends and bond over an inability to lose the last five pounds before a wedding, but your company has no business focusing its time and energies on BMI metrics and fat grams.

Don't be the last chump in America to wake up and realize that wellness programs are a scam and distract you from your real goals as a leader. Skip the lectures on calories and exercise. Stop devaluing your employment brand by trying to motivate your workforce to join the local fitness center and drink more water. Use some common sense and recognize that wellness programs may offer some short-term pressures from your board of directors and shareholders but are not a long-term solution. There are smarter and more strategic ways you can lower your organization's employee entitlement expenses. Use your political capital to influence the debate on healthcare reform. Ask your HR department to craft a compensation plan that will attract and retain the best and brightest employees. Start rewarding performance and innovation and recognize employees at all levels of your organization who contribute to your company's profitability. Take the time and money you would invest in a corporate wellness program and offer more generous educational benefits, additional paid time off, and better access to technology.

You have a choice as a leader: You can encourage your employees to build your company's brand, or you can encourage your employees to exercise and build lean muscle. Forward-thinking companies in the twenty-first century will employ talented individuals who are committed to personal excellence. If your company spends time and money lecturing your workforce on the benefits of diet soda and cardiovascular exercise, you are running an adult daycare program instead of a business.

Manage Abundance (Not Scarcity)

BY JEFF JARVIS

E ARE ENTERING a post-scarcity economy in which Google is teaching us to manage abundance, challenging the bedrock law of economics, first written in 1767: the law of supply and demand.

Many industries built their value on scarcity. Airlines, Broadway theaters, and universities had only so many seats, which meant they could charge what they wanted for them. They were scarce and thus more valuable. Newspapers owned the only printing press in town and you didn't, so they could charge you a fortune to reach their audience. Shelf space in grocery stores was limited, so manufacturers paid for the privilege of selling their boxes there. Television networks had a finite number of minutes in the day with only so many eyeballs watching, so advertisers competed to buy their commercial time. Scarcity was about control: Those who controlled a scarce resource could set the price for it.

Not anymore. Want to sell your product to a targeted market? You don't need to fight for a spot on the shelf in one thousand stores—you can now sell to anyone in the world online. Looking for a dress everyone else doesn't have when everyone else shops in the same mall? Today, you can find no end of choice only a click and a UPS delivery away. Don't want to buy *The New York Times* on the newsstand or pay for access to WSJ.com for news on your industry? Now there are countless sources of the same information. Even if the *Journal* reports a scoop behind its pay wall, once that knowledge is out—quoted, linked, blogged, aggregated, remixed, and e-mailed all over—it's no longer exclusive and rare. It's no longer possible to maintain that scarcity of information.

Advertising agencies act as if ad inventory were still scarce, though online there is now a virtually unlimited supply of advertising opportunities. Agencies have always liked one-stop shopping. Every fall, they go to network upfront parties, where shows are previewed, wine is poured, and much of the entire season's ad inventory is sold off. Prime slots like Thursday nights—when studios advertise weekend movie premieres—sell out at ever-higher prices even though the audience watching broadcast TV continues to dwindle. Just as nobody gets fired for buying IBM, according to the old business rule, nobody gets fired in advertising for buying TV. Agencies' willful ignorance of new ad economics is a product of their own economics: They are paid a percentage of the advertising money they spend. The scarcer the ad time, the more it costs; the more it costs, the more agencies spend; the more they spend, the more they earn.

That is not a virtuous circle. It's a deathtrap.

Advertising's absurd economics have spilled over to online. I shrieked when *Advertising Age* reported that agencies were complaining of a shortage of ad inventory on the home pages of portals, including Yahoo! The agencies were creating a false scarcity. There is no end of unsold ad inventory on billions of pages all over the Internet. Many of those pages are far better targeted to their needs and would be cheaper and more efficient than Yahoo!'s home page. Besides, it's not as if a given advertiser's message is going to be seen by everyone who comes to Yahoo!, as not everyone goes to its home page. In print and broadcast, advertisers pay for the entire audience. Online, they pay only for the pages on which their ads appear—or, with Google's AdSense, they pay only for the times a reader clicks on an ad. The Internet is a more economical and measureable advertising medium, but its efficiency is not in agencies' interest because, remember, the more they spend, the more they earn.

Advertising agencies act as if ad inventory were still scarce, though online there is now a virtually unlimited supply of advertising opportunities.

Is there any scarcity left in media? Some argue that our attention is shrinking, but I don't buy that. My attention is constant—I have twenty-four hours in a day, eighteen of them awake and seventeen of them sober. I choose what to pay attention to in those hours. I believe my attention is more efficient and spent on greater quality than ever, now that I have more choice and more control over my time.

Some argue that trust is scarce. Well, I suppose that's always true, but I now have more sources for news than I have ever had—not just my local newspaper but *The Washington Post*, the *Guardian*, the BBC, bloggers I respect,

and more. Is quality still scarce? Yes, of course, but the more content that is made, the more opportunities there are for more people to make good content. The challenge is sifting through it all to find that good stuff. Google helps us sift. There are opportunities for others to build businesses on that need: commerce sites that find the best merchandise, news sites that read so you don't have to, entertainment services that gather the critical opinions of the crowd. The Internet kills scarcity. It is built on abundance.

Google has found a business model based on exploiting and managing abundance: The more content there is for it to organize and the more places there are for it to place its ads, the better. If your business is built on scarcity—and most are—you need to ask how you, too, can manage and exploit abundance.

JEFF JARVIS blogs about media and news at Buzzmachine.com and directs the interactive-journalism program at the City University of New York's Graduate School of Journalism. From *What Would Google Do?* (Collins Business). ©2009

THE NOT-SO-SWEET SPOT

BY AL AND LAURA RIES

Left-brain management types are highly analytical. If you want to build a big company, if you want to build a big brand, then you need to target your products and services to the heart, the "sweet spot," the center of the market. That makes a lot of sense.

Right-brain marketing types know better. In every industry, the place to avoid is the mushy middle.

Consider the cola category, in which both Coca-Cola and Pepsi-Cola tried to introduce mid-calorie colas. Pepsi's product was called Pepsi Edge. Coca-Cola's product was called C2. With about seventy-five calories per twelve-ounce can, both products had roughly half the 150 calories found in a regular can of cola. According to Pepsi-Cola, its half-and-half product provides "the perfect balance of taste and calories."

From a marketing point of view, the new products were far from perfect. Pepsi drinkers who want "taste" will continue to drink regular Pepsi. Those who want "low calories" will continue to drink Diet Pepsi. Where's the market for Pepsi Edge?

Pepsi Edge doesn't win on "taste" and it doesn't win on "low calories." It's a classic mushy-middle-management mistake. The same holds true for C2.

Pepsi claimed there are sixty million consumers who alternate between diet colas and regular colas. Maybe so, but there are also millions of consumers who alternate between coffee and tea, and that doesn't mean a product called "coftea" would be a big success.

This is the second time Pepsi-Cola made the same left-brain management mistake. Once before, it tried a mid-calorie cola that never went anywhere. Launched in 1975, the product was called Pepsi Light.

Management is always reluctant to admit mistakes. Back in those days, the company claimed that Pepsi Light was "ahead of its time." One could make the same claim today about Pepsi Edge.

In every industry, the place to avoid is the mushy middle.

Other mushy-middle-management mistakes are easy to find.

Red wine is a big seller. White wine is a big seller. But rosé wine is nowhere. Just because millions of wine drinkers alternate between red wine and white wine doesn't mean rosé can become a big seller.

Ketchup is a big seller in America. But so is salsa. As a matter of fact, a few years ago, salsa overtook ketchup in sales. So what did Heinz do? They introduced Heinz salsa-style ketchup. Another mushy-middle-management mistake.

The best-selling brand of regular coffee in America is Folgers. So is the best-selling brand of decaf coffee. So Folgers saw an opportunity to plug a hole in the middle. The result: Folgers 1/2 Caff. "Classic roast with half the caffeine." Another mushy-middle mistake that's unlikely to muster much market share.

The best-selling brand of regular cigarettes is Marlboro. So is the best-selling brand of "light" cigarettes. So Marlboro saw an opportunity in the middle. The result: Marlboro Medium. (Cowboys are unlikely to smoke anything called "Medium.")

Expensive razor blades like Mach3 and Fusion are big

sellers. So are disposables at the low end like Bic and Gillette. It's the razors in the middle that find their shares declining.

In digital cameras, the market has divided into (1) small and simple point-and-shoot cameras weighing six ounces or so and (2) big and serious single-lens-reflex cameras weighing several pounds. There's just no market in the middle.

In watches, there's a big market for fashion watches like Swatch at the low end and prestige watches like Rolex at the high end. There just isn't much of a market in the mushy middle.

Then there's The Gap. After years of declining sales and failed turnaround attempts, the nation's largest specialty-apparel retailer is exploring a possible sale of the company or a spin-off of one or more of its three major brands: The Gap, Old Navy, and Banana Republic.

What went wrong at The Gap? From a marketing point of view, it was the 1994 launch of the Old Navy chain, which now accounts for 43 percent of the company's revenues. Old Navy is a no-frills, low-price clothing chain. A great concept, but the company already had a no-frills, low-price clothing chain called The Gap.

To make room for Old Navy, The Gap moved upscale right into the mushy middle, where it has had problems ever since.

(This is the same mistake General Motors made with Saturn and Chevrolet.)

A logical left-brainer might assume that there's always one way, the best way, to do anything. An intuitive right-brainer assumes there are two ways to do anything. And the third way, right in the mushy middle, is what one should avoid at all costs.

Take the three biggest mass merchandisers. Wal-Mart focused on low prices, so Target went upmarket with wide aisles, neat displays, and designer merchandise.

Kmart tried to have low prices like Wal-Mart and designer merchandise (Martha Stewart, Joe Boxer, and others) like Target. Kmart went bankrupt.

In the early days of an emerging industry, you see repeated examples of the same folly. Companies jump in to provide the missing link between yesterday and tomorrow. Between cheap and expensive. Between fashionable and durable. Between hip and mainstream. Between young and old.

Their motto: The best of both worlds.

Warning: The best of both worlds usually winds up in the mushy middle.

AL and LAURA RIES are the owners of Ries & Ries, a marketing consulting firm. From *War in the Boardroom: Why Left-Brain Management and Right-Brain Marketing Don't See Eye-to-Eye—and What to Do About It* (Collins Business). ©2009

A Second Chance For the CEO

BY JEFFREY M. STIBEL

FROM THE LIST OF COMPANIES that ousted CEOs in 2008: Home Depot, Citi, AIG, Merrill, Wachovia, VMWare, Ruth's Chris, Starbucks, AMD, Fortis, H&R Block. The average tenure of a public-company CEO is now approaching thirty months, with many lasting little more than a year. Just consider what happened to J. Michael Lawrie, the twenty-one-year IBM veteran who was ousted from Siebel, or, more recently, Ken Stern, who was forced out of National Public Radio within a year and a half of taking the reins. Should we be giving up on our CEOs this quickly? Conversely, should we extend CEOs the kind of rope that gives them the ability to make nooses?

I don't have a good answer because there are positives to both. (Although having been a CEO for both public and privately held companies, I certainly have a preference!)

Letting go of an underperforming CEO does have its advantages. The most obvious one is that you eliminate a problem before it becomes unfixable. Certainly when it comes to fraud or other fiduciary

breaches, this is the only option. But most CEOs are smart, honest people who have shown tremendous talent throughout their careers—so let's give them the benefit of the doubt, ignore this problem, and focus on another.

A less obvious problem that all decision-makers face is something called cognitive dissonance or regret. When we make decisions, we associate with that decision, making it very hard to unwind bad business moves. Changing our mind actually causes regret, which causes the firing of negative neurotransmitters (I call it "pain in the brain"). As a result, once we make a decision, it is very hard for the brain to unwind it. It is one of the reasons we fall prey to sunk costs, believing, for example, that we should finish a bad movie just because we already paid for it (as anyone who watched all of *Gigli* knows).

When I took over the public company Web.com in 2005, there were a number of *easy* decisions I made that had a profound effect on the company. Easy because I was not unwinding any of my own decisions, and they seemed pretty obvious as a result. Apparently it was not as easy for my predecessor, likely because he made the original decisions that I unwound. Cognitive dissonance is a hard thing to shake. So one way to fix a company is to let go of the decision-makers.

But another way is to let go of your decisions. To counter cognitive dissonance when I left United Online to run Web.com, I told all of my direct reports to blame the next problem—whatever it was— on me. Call it a twist on Nikita Khrushchev's famous "Two Letters." Doing so hopefully allowed my team to focus on the solution instead of defending the original decision.

Longevity is too critical to an organization to fix cognitive dissonance by firing the CEO. Imagine where GE would be if the company had let go of Welch during his "Neutron Jack" days. Boards and investors must be patient with CEOs, while encouraging them to, yes, make mistakes.

Allowing CEOs the freedom to make mistakes gives them the freedom to admit them and correct them.

JEFFREY M. STIBEL is president of Web.com. From his "The Internet and the Brain" blog at discussionleader.hbsp.com.

RECALCULATING THE ROUTE

BY LISA HANEBERG

I was in Dallas last week facilitating a workshop. Three of us went to dinner, heading to a restaurant recommended by the hotel front-desk personnel. The driver had a rental car with a Never Lost GPS unit.

As we struggled to find the nearby restaurant, we made several turns that the GPS did not intend for us to make, and it had to recalculate the route.

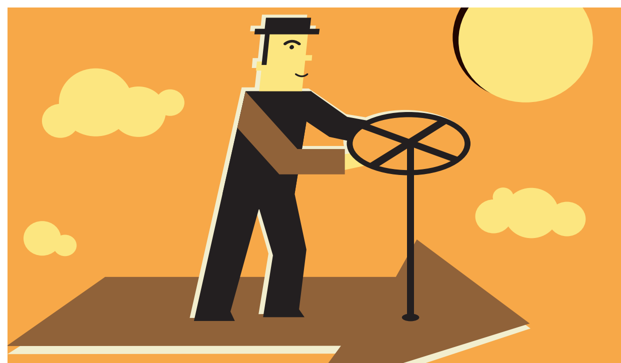
Well, it turns out that the restaurant had closed down, but that is not what dominated our in-car conversation. It was the GPS.

The workshop was about management, so management was top of mind, even as our bellies were wishing we would focus on finding dinner. We started talking about how the GPS says "recalculating route" when we take a wrong turn. And then it hit us that this is essentially what management is all about.

Every day, our employees, peers, and managers travel through their days. Sometimes we take the right turns and sometimes we get off course. Sometimes, because of barriers and breakdowns, a new route is needed even when we are on the correct road.

Great management is the proactive act of recalculating the best route forward for all the people and processes we touch.

I like how the GPS uses the same pleasant tone no matter how many times we veer off track. Managers would be well served to learn from this. Recalculating the route is a normal daily management task, and should not be a source of irritation or frustration. It is why we are here and why we are needed: to be the one to take the initiative and have the foresight to constantly recalculate and help organizations find their way.



Sometimes we take the right turns and sometimes we get off course.

LISA HANEBERG is a leadership trainer, coach, and organizational development consultant. From her Management Craft blog, at www.managementcraft.com.

Fear vs. Trust

BY CARMINE COYOTE

MANY PEOPLE ARE miserable, alienated, and overworked primarily because of a lack of trust. Managers take on too much themselves because they don't trust their subordinates to do the work properly. They cannot leave people alone to get on with their work because they don't believe other people will do a good job without constant supervision. They attend pointless meetings and read futile cc'd e-mails because they don't trust their colleagues not to knife them in the back. And they pile up extra tasks because they don't trust suppliers not to cheat them and customers to stay loyal or resist the temptations put before them by competitors.

In an environment that lacks trust, everyone feels suspicious of everyone else. The subliminal message that runs constantly in the background is: "Hurry up—put one over on the other guy before he or she manages to do it to you." Relationships are scanned for evidence of some hidden agenda. It's almost a relief to face a truly nasty, hostile person, because at least then you know where you stand.

W. Edwards Deming, mostly remembered as the father of the total-quality movement, said that the primary duty of every leader is to remove fear from the workplace. Yet today fear seems more present, and more powerful, than ever. Managing by fear is ubiquitous, whether it appears as straightforward bullying and dictatorial behavior or, more indirectly, through constant reminders that everyone's job is on the line and those who fail to deliver what is demanded will likely find themselves holding pink slips.

Macho managers don't remove fear from the workplace—they increase it. Command-and-control leadership styles rely on fear to be effective. Even so-called "incentives" are really a subtle form of fear-creation: People are afraid they'll get less than their colleagues; they're afraid they'll miss out; they're fearful that they cannot rely on that bonus in the way they could rely on a set salary.

Competition—that sacred cow of management thinking and free-market economics—is entirely about fear. Lust for winning is only the other side of the same coin as fear of losing. Success cannot exist with failure. If I win, someone else must lose or that winning becomes meaningless. And if I want to "win big" (as all those tottering banks and hedge funds did), I have to try to work it so that someone else "loses big" at the same time. The scale of the current financial turmoil is witness to the extent to which unchecked competition, once lauded as a source of endless wealth and success, always produces losses on a similar scale.

The belief in your own ability to find a way through life and come out more or less where you would like to be is founded on self-trust. If you don't trust yourself, it's hard to develop any trust in others . That gnawing, internal fear that you'll probably screw up transfers itself to a suspicion that the other guy is probably waiting to gloat when you do.

Lack of self-trust is behind much of the dogmatic, rigid thinking that characterizes so many organizational leaders. If you don't trust your ability to think for yourself, the simplest way to avoid embarrassment is to follow a set of rules produced by someone else. It prevents you from needing to find an answer that fits the current circumstances, of course—which you fear you won't be able to do anyway—but it allows you to get off the hook of trusting your own judgment. After all, if things go wrong, the rules were to blame, not you.

People who lack self-trust have an extra need to be right all

the time to allay their inner feelings of anxiety. In reality, while being right is nice, it's more important to learn to trust your own intelligence and judgment than it is to be right every time. We all make mistakes. Those who trust themselves try to learn from them; those who don't try to avoid the blame for future mistakes by doing what everyone else does, even if it's wrong.

In bad times, people naturally try to gain some kind of stability and safety. They don't want to add more risks to those they can see all around them. They play safe and act suspicious.

It may seem counterintuitive, but this is the riskiest behavior of them all. Like the hedgehog that deals with an approaching car by stopping and rolling up in the middle of the road (do armadillos do this, I wonder?), it's an invitation to be run over. When you trust no one, everyone becomes an enemy of sorts. When you constantly look for safety, the greatest temptation is to follow all the other lemmings off the edge of the cliff.

We are social creatures, whose interconnected world will not allow us to withdraw into our own little castle and pull up the drawbridge. We cannot live without cooperating with others. The belief that markets will be "perfect" when each person pursues his or her own self-interest, regardless of others, is surely one of the silliest and most unrealistic ideas ever to grip that dismal pseudoscience called economics. It was acting on that false assumption that put us all in the mess we're in today.

Where fear and mistrust rule, there can be no happiness, no enjoyment, no creativity, and no sense of meaning in working life. All there will be is suspicion, anxiety, constant pressure, and the belief that protecting your own butt while kicking someone else's is what work is all about. Surely it's time to wake up and see that living like this, however much money is made in the process, is no kind of living at all.

CARMINE COYOTE is founder and editor of Slow Leadership, a blog that "offers ways of returning civilization and humanity to organizations," at slowleadership.org/blog.

The Pride and the Fall: Hubris Explained

BY LARRY ELLIOTT AND DAN ATKINSON

THE GREEKS GAVE US THE WORD *HUBRIS*, which means insolent pride toward the gods. Many might argue that Alan Greenspan was guilty of just such presumption in his self-serving memoir: "I would tell audiences that we were facing not a bubble but a froth—lots of small local bubbles that never grew to a scale that could threaten the health of the overall economy."

Traditionally, hubris was followed by nemesis—retribution and downfall—and through most of 2008, there was plenty of evidence to suggest that the old-age pattern was repeating itself. House prices were falling, consumer confidence was collapsing, borrowing conditions were being toughened, and inflation was rising. Banks in the West were increasingly looking to sovereign wealth funds—state-owned companies from oil-rich or export-heavy countries—for injections of capital to compensate for the write-downs on their bad loans. Cassandras tend to be lonely figures, but by the spring it was as if the battlements of Troy were heaving with prophets of doom jostling to make themselves heard.

> Not every financial turmoil is followed by recession, and precious few recessions lead to slumps.

Big financial crises tend to go through a number of distinct phases. The first phase is the *wild boom*: the period when there is plenty of easy money to be made and the mood is euphoric. This was the world in early 2007, as private-equity firms went on the prowl for takeover victims and the financial markets boomed. The second phase is marked by *denial*: a refusal to accept that the manic behavior is having malign consequences and needs to end. After a brief period of denial in the spring and early summer of 2007, the crisis entered its third phase: *panic*. At this point, the walls of the temple start to buckle, and there is a rush for the exit. In most cases, panic is followed by recovery. Not every financial turmoil is followed by recession, and precious few recessions lead to slumps. Some do, however, with 1929 the most obvious example.

On these rare occasions, the fourth phase of the crisis is *capitulation*, as it becomes clear that the crisis is far, far worse than previously appreciated and that the conventional policy response is not adequate to deal with it.

LARRY ELLIOTT is the economics editor of the *Guardian*. DAN ATKINSON is the economics editor of *Mail on Sunday*. From *The Gods That Failed: How Blind Faith in Markets Cost Us Our Future* (Nation Books). ©2008

WHY THE WEST?

BY GABOR STEINGART

By far the most important driving force behind the sudden development of the Western inventive spirit in the eighteenth century was chance. One coincidence combined with a second coincidence, setting a chain reaction of coincidences into motion, which has changed life on earth to this day. Much of what the experts portray as certainty in this regard is conceived backward. To this day, no one can clearly answer the truly decisive questions: Why at this particular time? Why in Europe first? Why did everything happen with this unbelievable momentum that changed world history and continues to do so today?

But since when has reason prevailed in the history of mankind?

Many in the West believe that it was primarily Protestant Christianity, together with its work ethic, that made people into inventors. Others claim that it was the moderate climate that gave European inventors a leg up over their counterparts in sub-Saharan Africa or Central Asia. But why should the English drizzle or Germany's April rains be better suited to reflection than the sun over Marrakech or humid summers in Shanghai? Others insist it was the topography that made the difference. In the British Isles and in Alpine Valleys, protected by bodies of water or mountain chains, people were able to think more freely, because their societies were more fragmented than in large, centrally controlled realms like Russia or China. But don't the circumstances of living on an island or in a mountain village promote a way of life we would normally equate with provincialism?

According to a third group of scholars, it was the beneficial effects of the Enlightenment and the related state-supported efforts of universities and scientific colleges that gave the West its initial boost. But if that was the case, why was it Richard Arkwright, a hairdresser and wigmaker, who perfected the spinning machine? Why did a certain Edmund Cartwright, who normally made a living as a pastor and author, earn a place in history books as the designer of the first steam-powered loom? And why does the world have Massachusetts artist Samuel Morse, who painted many landscapes and a portrait of U.S. President James Monroe, to thank for inventing the first functioning electromagnetic telegraph?

We should be especially suspicious of those who believe to have discovered some sort of law of history. According to the laws of nature, they say, early capitalism produced all the inventions it required for its own development. It made sense, so it happened. The output of textile workers could not be increased any further with physical strength alone, so the "Spinning Jenny" came on the scene. The stagecoach and sailing ship could no longer handle the volume of mass-produced goods that had to be delivered to customers, which meant the time had come for ocean steamers and locomotives. And how else could people talk to each other across America's vast expanses, if not through the telegraph line?

But since when has reason prevailed in the history of mankind? If history were a force blessed with reason, why do we look back on a relentless train of magic mistakes and faulty decisions with far-reaching consequences? It was a supreme act of irrationality when the fifteenth-century Chinese emperors burned their commercial fleet, thereby imposing isolation on their realm for hundreds of years. Wouldn't it have made more sense if those assembled in Berlin's Sportpalast on a February evening in 1943 had responded with a resounding "no" to their hysterical speaker's question: "Do you want total war?"

All of the conditions cited above that made the Industrial Revolution possible are reasons, but none of them is *the* reason. The Industrial Revolution is a string of coincidences, and even the breathtaking accumulation of these coincidences could be nothing but coincidental. It was not Hegel's concept of "world spirit" and not destiny, nor was it God nor high politics that brought the Industrial Revolution to Europe and the United States. Indeed, it was what one would generally refer to as a stroke of good fortune.

GABOR STEINGART is a Washington correspondent for *Der Spiegel*. From *The War for Wealth: The True Story of Globalization, or Why the Flat World Is Broken* (McGraw-Hill). ©2008

Death Of a Perk

BY JOHN HOLLON

I READ A LOT OF NEWS STORIES in the course of a day, and I am often surprised and amused about what I find buried deep down in some of then. Here's an example: According to Florida's *St. Petersburg Times*, "the new Belgian owners of Anheuser-Busch Cos. announced Monday that Busch Gardens will end a 50-year tradition and stop handing out free beer samples."

OK, that's just another corporate cutback at a time when corporate cutbacks are a daily occurrence, but if you read past the Busch Gardens' visitors bitching about the loss of their free beer, you bump into this little nugget: "Ditched in the same fell swoop with free samples: a longtime monthly perk to full-time park employees of two free cases of Anheuser-Busch beers."

In the world of benefits, this is a throwback to the eighteenth and early nineteenth centuries, when workers got daily alcohol rations as part of their pay. It was an accepted part of many jobs back then—in factories and the military, for example—to get beer or alcohol on the job. It was as accepted then as a free parking space is for many workers today.

No one seemed to know exactly how much beer to put out, but everyone agreed that it needed to be at least a case.

What surprises me is not that the free employee beer is being cut at Busch Gardens but, rather, that anyone in America in 2009 would still be getting free alcohol as a perk. And it just goes to show you that there are all sorts of odd and unusual benefits out there. From Google's free meals to Florida companies offering spiritual and faith-based services to employees, managers and HR executives are dealing with company perks that bring their own unique issues with them.

This also reminds me of the last time I encountered beer as a benefit. It was in Hawaii, of all places. When I moved to Honolulu in the mid-1990s, my neighbors were kind enough to clue me in on an odd but longtime New Year's tradition: putting out beer for the garbagemen.

This was one of those word-of-mouth things, but every New Year's Day in Honolulu, the garbage workers came by to pick up your trash. Friends and neighbors warned me that you were expected to put out some beer for the garbage guys to both thank them for their hard work and to ensure that your trash got picked up efficiently over the next year. And we were warned that *not* putting out the beer was not really an option. By not observing the tradition, you just made sure that your trash would never, ever be treated kindly again.

No one seemed to know exactly how much beer to put out, but everyone agreed that it needed to be at least a case, and preferably two, in order to accomplish the desired goal.

So I got up early that first New Year's Day in Hawaii to see how this was all accomplished. Around 7 a.m., the garbage truck came barreling down the street, as usual, with workers picking up the weekly trash with their usual skill and efficiency. What was different on this particular day, however, was that the garbage truck was followed by a large pickup truck with two guys picking up the cases of beer that had been carefully placed on the curb next to the trashcans.

It was an incredibly efficient operation—and very unlike what you got out of so many public workers in Hawaii. But it did show the power of a timely and focused workplace benefit.

So farewell to the free beer for workers at Tampa's Busch Gardens. It will surely be a benefit sorely missed and fondly remembered.

JOHN HOLLON is editor of *Workforce Management*. From his blog, The Business of Management, at www.workforce.com/wpmu/bizmgmt.