PART

One

Inspiring and Influencing

CHAPTER 1

Influ—The Prologue

"You have one year to show that you can grow the company."

James is sitting comfortably in a business-class seat on his flight from London Heathrow to New York JFK. The plane is boarding. Getting through check-in and passport control at Heathrow was a pain. Preboarding at Heathrow is always irritating, and it's been hard for James to get used to waiting in line to pass through a gauntlet of uninterested airline and security personnel.

James, a hard-working, values-driven, conscientious, and intellectually curious guy in his mid-forties, is used to flying business by now, but it took him a while. Before he was appointed CEO of Influ, his fast-track career had taken him to the top of a medium-size US pharmaceuticals company, and he was accustomed to flying private or at least first class.

James has no one to else blame for his seat on the plane. As a small element of his brutal but successful cost-cutting turnaround of Influ, he was the one who introduced the policy that members of top management should fly commercial.

At first, it hadn't looked as if Influ would need a turnaround.

When James joined the company, Influ was an iconic corporation in the diagnostics industry, led by an iconic figure. Carl Exeter, now chairman of the board, was a former Oxford scientist who led the buildup of the company in the 1990s, when affordable

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blood diagnostics was a new and growing market. Carl had developed Influ into the undisputed global leader in its industry.

But while celebrated by analysts, the press, and academics—who liked to write case histories about the company's rise to market leadership—Influ was no longer the lighthouse firm everyone believed it was. In the first few months after his arrival, James had to recall a new series of diagnostics devices due to quality problems and he was forced to announce two profit warnings. As a consequence the share price plummeted. As he learned more about the company, James soon realized that Influ was no longer the great firm that he and others had thought. In the years before he came aboard, Influ had lost its edge.

Influ had missed several technological developments in the dynamic diagnostics industry. Many technological innovations and scientific advances—such as molecular markers for diseases, genomics, electronics, and material science—had vastly expanded the scope of new customer solutions. Unfortunately, the opportunity to take advantage of new technologies drew more competitors into the field, greatly enlarging the number of rivals making inroads into Influ's industry. New Asian firms had entered the market, swamping it with inexpensive, easy-to-use diagnostic kits. Influ was losing market share in its traditional markets and it had failed to expand into new geographies, in particular in Asia and Latin America.

In a turbo-charged, agile, and fast-growing industry, Influ was struggling to keep up. It had grown more slowly than its competitors. It had lost market share in all three of its product lines—Blood Diagnostics, Molecular Diagnostics, and Medical Devices—and in most of its markets. Since its infrastructure was designed for growth, and for ever-increasing sales and production volumes, profitability was depressed. Iconic Influ was barely creating any value for its shareholders.

James came to Influ as an outsider in the diagnostics industry. He had made a name for himself by knowing how to react to trouble and turning around his previous company. He knew what he had to do to put Influ back on course. It wasn't that complicated: stop investments, slash the R&D budget, lower costs, reduce head count, sell noncore assets, and reinvest some of the savings in the fast-growing markets the company had missed.

His leadership approach was equally simple: "command and control"—set clear cost-cutting objectives with ambitious key performance indicators (KPIs) for Influ's three business units, Blood Diagnostics, Molecular Diagnostics, and Medical Devices; develop a set of aggressive top-down measures; and ensure decisive follow-through on the plans that he and his team committed to pursuing. He followed a simple recipe: ambitious targets, clear top-down directives, and constant, relentless pressure. The turnaround was tough. He shed assets, cut costs, and laid people off, a lot of people. It was ugly. He also made a number of bold investments in Asia and other emerging markets.

It worked. Although Influ ended up losing 20 percent of its share in its main markets, profits were up, as was the share price. The board, the shareholders, and the press all celebrated James's turnaround performance. Some people described him as the rising star in the industry. The *Financial Times* published an article describing James as the new "whiz-kid of diagnostics," celebrating Influ's turnaround and the role he'd played, much to the satisfaction of his father, a former economics professor at a renowned state university, and his mentor, Carl Exeter, the chairman of Influ's board.

James once felt proud of successfully leading two turnarounds in two different, although related, industries. In the past 12 months, though, his sense of achievement and pride had faded, as had the board's positive feelings about his performance. The market for diagnostics was growing fast, but Influ wasn't. In fact, despite its investments in Asia, Influ wasn't growing at all.

Of course, James had reacted. He had applied his tried-and-tested recipe. He adjusted the performance KPIs of the three

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business units, focusing them on growth. He made innovation a core KPI, and he asked each division to develop at least one new product per quarter. Further, with the help of his strategy team, he defined a set of aggressive growth initiatives, and then followed up on them with relentless pressure.

But somehow his recipe wasn't working anymore. The business units were not delivering on innovation or implementing the growth initiatives as he had expected. Two of the unit heads were complying with his requests, or rather commands, at least superficially. They were not making progress on implementing the growth initiatives, but they were generating at least some innovation in their divisions, though mostly by repackaging old products into new ones. The third business unit head did not deliver any innovation or growth at all, citing all sorts of excuses, blaming a lack of resources and top personnel, or simply arguing that James's objectives were not realistic.

The three division heads did not agree with James's vision for Influ, which wasn't as much a vision as a push for growth. Even worse, they seemed increasingly disengaged and hostile, a problem widely noticed at lower levels within the organization.

In the meanwhile Influ's Asian competitors continued to make inroads. They began outcompeting Influ in practically all markets, even Europe, where Influ had traditionally been the clear market leader. The financial results for the past year were disappointing, and investment banks were rumored to be talking to Carl about a possible sale of Influ to a smaller competitor, a firm that wasn't even five years old.

At a recent board meeting, Carl expressed his disappointment with Influ's faltering growth. He closed the meeting by telling James, in public, "You have one year to show that you can grow the company." The phrase and its not-so-veiled threat filled James with chagrin and worry.

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That admonition echoes in James' mind as he fastens his seat belt for take-off. Carl has always been his mentor and supporter so his disapproval is painful. He realizes he has to think more about how to see Carl's perspective and how to satisfy his ultimatum.

James is so immersed in his thoughts that he doesn't notice the older gentleman who sits down next to him. The man, who looks slightly out of style with his longish beard and expressive face—rather like James imagines an ancient Greek philosopher must have looked—is reading the stapled pages of a paper titled, "Inspire: The Path to Growth."

He catches James's eye, and James can't help but say, "That has an intriguing title."

"Thanks . . . I wrote it. I'm just proofreading it before it goes to press. I have to turn it into a management journal this week in New York."

"I'm James Robinson. I'm the CEO of Influ, the London-based health-care company. Growth is important in my job."

"Dr. Marc Jansen. Pleased to meet you."

"Are you a management professor, Marc?"

"Me? No, I'm a psychologist. I research and write about the process of influencing. And, I do a lot of one-on-one work with senior executives."

"Great," says James, "I'm one of those, and I'd love to know what influence has to do with growth. And how I can inspire our people. This is a big issue for us. . . ."

"Well," said Marc, settling back in his seat, "let's talk about that."

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Unknowingly, James has started a conversation with a psychologist who is world-renowned for his work on the process of influence. It will turn out to be an illuminating discussion . . . and a long one. By the time James Robinson and Marc Jansen reach New York, they're friends and they've agreed to meet again when they get back home to London.