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INSIGHT

By Roger L. Martin

The Bottom Line, Davos-Style

Profits and power may drive companies. But those at the World Economic Forum agreed that community keeps the best organizations humming

Why did hundreds of high-end corporate CEOs flock to the World Economic Forum in Davos again this January? Think about the improbability. Getting there is a logistical nightmare: a ski village a full two hours from Zurich Airport, with no convenient place nearby to land one's Gulfstream 5. Virtually no participants take advantage of the skiing. The town has only one five-star hotel, and it's saved for high-ranking politicians, stars like Angelina Jolie and Bono, and CEOs whose firms pay an additional \$250K to be a "partner" of the World Economic Forum.

So most CEOs have to stay in one of the spartan ski hotels that undoubtedly seem like the worst ones they have stayed in since becoming a CEO. They have to sign themselves up for sessions. Plus, if they don't arise early enough in the morning to get to a session-booking kiosk in time, the day's prized session -- for example, "Celebrity Inspired Action" with Michael Douglas and Peter Gabriel -- will be booked solid. They have to get themselves back and forth in the snow between the dispersed venues.

Why on earth do they do it -- repeatedly? Because Davos holds out the promise of making them happy. The fact is, money and power don't tend to make you happy. Community is the most powerful driver of happiness, and community loomed large in bringing CEOs to Davos again. Moreover, in the sessions related to innovation, creativity, and design, the subject of community was one of this year's eight organizing themes (see BW Online, 1/11/06, "[Design Gets Its Due in Davos](#)").

"HAPPINESS TRILOGY." It turns out that three interrelated features of community are the most powerful forces in generating happiness: One is happier to the extent that 1) one is a valued member of a relevant community, that 2) one values, and that 3) is valued by people outside the community in question.

An example of the "happiness trilogy" working seamlessly to produce high levels of happiness is the community of Nobel laureates. They're held in high esteem by the field in which they excel; are strongly inclined to respect that field, having dedicated most of their lives to it; and are revered by people around the world, whether or not these people know much about the field in question.

These three elements of community powerfully reinforce each other at Davos. First, CEOs gain satisfaction by becoming a valued member of the Davos community. Second, they value the exclusivity and quality of the Davos community because Klaus Schwab and his colleagues take great care to gather together intellectually oriented CEOs, powerful politicians, influential academics, impactful NGO leaders, and yes, the odd movie star, to make sure CEOs prize that community. Thirdly, since the world watches the goings-on at Davos through regular reporting by major media outlets, the Davos community is definitively valued by legions of people outside.

MORE THAN COGS. The impact of community on talent attraction and retention also loomed large in numerous sessions during Davos. In a session on "The Global Talent Tap", Infosys ([INFY](#)) CEO Nandan Nilekani argued that the prevailing view -- if you invest in training employees, they'll be more likely to be recruited away, wasting all of the training resources -- is patently false. Rather,

he observed that the more Infosys invests in training and developing its talent, the less likely that talent will leave for a better offer. People feel part of a nurturing community, which positively influences happiness and connectedness.

In another session, Nobel Laureate Joseph Stiglitz asserted that firms function more like communities than the series of interlocking contracts that most economists model them as emulating. At a session on the decline of the practice of management, chaired by academic Henry Mintzberg, participants agreed that the very best managers create a choice-making community rather than a stratified hierarchy in which most members are made to feel like they're mere cogs.

In the session I chaired on talent attraction and retention -- called "Who's Choosing Whom?" -- community was central. Regardless of the type of organization, ranging from a big firm, startup, and university to an NGO or high-end professional-service firm, the quality of the community was seen as critical to the happiness and productivity of its talent. Participants viewed the creation of a sense of community as paramount to the success of an organization.

NET-NURTURED COMMUNITIES. This occurs in various ways, such as allowing talent to hire friends, focusing on team and peer rather than individual rewards, involving senior talent in the training of young talent, treating young talent as leaders, and ensuring transparency of strategy and decision-making. Talent that's committed to the building of a productive community was considered the most valuable human asset an organization could possess.

The focus on community went beyond talent attraction and retention to consumer activism and brand building. At a session called "Social Production Delivers Disruption," Pekka Himanen -- colleague of Linux founder Linus Torvald and a professor at Helsinki Institute of Information Technology -- noted that with the Internet, powerful consumer communities are being built ever faster. This phenomenon produces both a threat and an opportunity for corporations. Unhappy consumers can build communities to attack corporations as is currently happening with Wal-Mart ([WMT](#)). But happy, empowered consumers can band together to lift a corporation to great heights.

In a session on "Beyond 30-Second Brand", New York Times ([NYT](#)) Chairman and Publisher Arthur Sulzberger Jr. revealed that his online operation's top priority is the building of communities of interest around themes as wide-ranging as opera, science, and personal health. On the same panel, new-media advertising guru David Droga argued that in the new world of branding "the community aspect is probably the most important and powerful aspect of the brand." He cited Procter & Gamble's ([PG](#)) Pampers.com community of first-time mothers.

ATTITUDES MATTER. As creative organizations attempt to manage their talent resources and build powerful consumer brands, they must keep the notion of community clearly and centrally in their headlights. Creative talent is particularly sensitive to the quality of community -- and wants to be valued for its creativity by the community of which it is a part.

But such talent also desires to be valued by a community for which it has respect. If the community is "a bunch of suits" whom the talent doesn't respect, the talent won't stay for long. And if the community is seen by outsiders as an "evil empire," it will also lose its creative talent because the talent won't be happy being a member of a community that doesn't have the outside world's respect.

Similarly, consumers don't want to be a member of a user community that doesn't make them feel like valued members, that they don't value, and that's disrespected by the outside world. They will want to drive a hybrid car if they feel that being part of the hybrid car-driving community is a great thing to be -- even if their hybrid car might not be a particularly economically sensible purchase.

SEEKING RESPECT. Community shaping, building, and nurturing has become a central skill for the leader of any creative organization. A leader who aims to nurture participant happiness must develop operating systems and a culture that reinforce the role of the individual within the context

of the community. Only when each individual participant knows of which community he or she is a part, and how that community measures his or her value as a member, will the organization be capable of helping him or her be happy as a member.

The leader also must work to build a community that the participants respect and value. To do so, participants must feel that they're able to participate in problem resolution and are treated with dignity and respect. In addition, they must feel that their leaders demonstrate neutrality in decision-making and are trustworthy.

Finally, the leader must ensure that the organization's true accomplishments are recognized in a way that makes participants feel their community is valued by the outside world. The first assumption might be that happiness will be most enhanced by having the capital markets applaud their firm's profit performance. However, it's highly likely that creative talent will be more influenced by the applause of those interested in and capable of judging the innovative level and the quality of its products and services.

STARSTRUCK DAVOS. In the context of the happiness equation, one cannot help but be impressed with Executive Chairman Schwab's design efforts over the years. The 2000 World Economic Forum meeting saw the early stages of escalating violent clashes between police protecting the Davos sites and protesters who saw the forum as a conspiracy of developed-world fat-cats showing callous disregard for the fate of the less-fortunate.

Through the 2003 forum, the clashes disrupted the meetings and received extensive media coverage around the world. Perhaps sensing that the negative stories would severely diminish the power of the third leg of the happiness trilogy, Schwab moved quickly to invite the protesters inside the tent. He added to the roster influential NGO representatives and to the program sessions on their topics of interest. The protests quickly vanished, and Davos returned generally to favor with the media, if not all critics.

And to enhance the second leg -- the degree to which the individual values the community -- Schwab decided for 2005 to invite a new kind of star power, with Jolie and Sharon Stone. This year came Jolie (again, though this time with arm-candy Brad Pitt), Bono, and Michael Douglas.

RIGHT BUTTONS. However, when the traditional corporate CEOs grumbled during 2005 that the participants and program had migrated too far away from the most important corporate themes, Schwab carefully guided the 2006 program back toward its traditional corporate focus.

Like all good leaders, Schwab understands the drivers of happiness and nurtures his own community to generate the requisite amounts of it. It wouldn't hurt his Davos CEOs to pay close attention.

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His research interests lie in the areas of integrative thinking, business design, global competitiveness, and corporate citizenship. He has penned numerous articles for *Harvard Business Review* and also written for *Barron's*, *Time*, *Fast Company*, *Compass*, the *Stanford Social Innovation Review*, the *Australian Financial Review*, *Maclean's*, *The Globe and Mail*, and *Healthcare Quarterly*. Martin's first book, *The Responsibility Virus*, was published by Basic Books (New York) in 2002. He is currently chair of the Ontario Task Force on Competitiveness, Productivity, and Economic Progress and director of the AIC Institute for Corporate Citizenship.

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