

HOT vs COOL:

How personality affects business design

By *Derek deKerckhove and Mark Federman*

*Organizational design is often a reflection of a firm's senior management style, say **Derrick deKerckhove** and **Mark Federman** of the University of Toronto's McLuhan Program in Culture and Technology. In the following excerpt from their new book, *McLuhan for Managers* (Penguin Canada 2003), they describe 'hot' and 'cool' personalities, and the types of organizations they engender.*

AS defined by **Marshall McLuhan**, 'Hot' media are high definition — i.e. well filled with data — and demand a relatively passive audience, while 'Cool' media are low definition and require intensive audience participation to fill in the blanks. Hot media intensely engage a single sense, while cool media loosely engage multiple senses. According to McLuhan, movies and radio are 'Hot' media while television (in his time) and conversation (on the phone or in person) are 'Cool' ones. Print is generally a 'Hot' medium (the eye must closely follow a linear arrangement of symbols) but can be cooler depending on context.

We would argue that individual managers can be 'Hot' and 'Cool' as well, with the temperature of a company often reflecting that of its senior management. **Jack Welch**, former CEO of **General Electric Corporation**, is a Cool manager. In an interview with **Jeffrey E. Garten**, author of *The Mind of the CEO*, Welch said: "The biggest change we made, without question, was the move to a boundary-less company. We got rid of the corner offices, the bureaucracy, the 'not-invented-here' syn-

drome. Instead, we got every mind in the game, got the best out of all our people. My main job was developing talent. I was a gardener providing water and other nourishment to our top 750 people."

Welch naturally engaged his staff and tended to be inclusive, emphasizing active participation. Working to continually eliminate the fragmentation and procedural high definition that is characteristic of bureaucracy, he was able to achieve incredible efficiencies among his various businesses. His record of results over 20 years at the helm of a company as diversified as GE is unmatched by almost any other recent CEO. The culture he created at GE permeated his management team. **Jeff Immelt**, Welch's successor as chairman and CEO reflects:

"My style is that I look at every business from the outside in. My framework is very much the customer and outside market. I believe in people. I know the difference between a good one and a bad one. I love change. I love trying new things. I really bring to the job a complete growth headset."

Immelt, like Welch before him, makes effective use of the multi-sensory organs of a corporation — the people. The executive who can

use all his available senses and organs by delegating authority and effectively running an open, distributed organization is the 'Cool' manager.

On the other hand, there is the senior manager who is authoritarian, single-mindedly focused only on that which interests him or her, and often overly 'hands on'. He or she is 'Hot'. Such a manager is less likely to be flexible in his or her view of the business and open to new ideas. Hot managers require considerable convincing — high definition — before they will accept new concepts. New ideas and approaches represent new perceptions from the multiplicity of sensory organs throughout the corporation. They frequently require considerable 'filling in' during their early stages of conception. These all represent characteristics that are foreign and possibly threatening to Hot managers as new views compromise their intense focus.

Because of this, Cool management culture is typically more robust and resilient. Not only are Cool management teams better able to weather storms in the economy, they are likely better able to anticipate them as well. This is not to say that a Hot management culture cannot sustain sea changes in its business. However, Hot management culture is more singularly dependent on the leader, who invariably is strongly charismatic. Case in point: **Bill Gates** and **Steve Ballmer** of **Microsoft** — both Hot managers.

Gates is widely acknowledged as brilliant and possesses an inquiring mind. But, characteristic of a Hot personality, he has always focused single-mindedly on the scientific and technical subjects that interest him and on philanthropy,

which is, more often than not, tied to his corporate endeavours. He rarely brooks interference or dissent from others in the pursuit of his objectives, all based on the certainty of his worldview and his unwavering conviction.

However, while Gates ran Microsoft, he did something uncharacteristic for a company with a Hot management culture: Microsoft employed a Cool manager as its chief technology officer. Until his retirement, **Nathan Myhrvold** provided the forward sensing of impending changes that would affect the business. He was able to assimilate massive amounts of low-definition information and use it to heighten Microsoft's corporate awareness and perception. According to industry folklore and numerous anecdotes, Myhrvold exercised significant influence over Gates's views and decisions pertaining to critical, strategic issues.

There is little wonder, for example, that Microsoft's first Internet initiatives, strongly encouraged by Myhrvold, were exceedingly Cool. Despite the fact that their browser business strategy was highly aggressive and ultimately led to the antitrust suit brought by the **U.S. Justice Department**, Internet Explorer itself was compliant with open standards. It also incorporated support for competitor **Sun Microsystems'** Java language and Microsoft Visual Basic's rival, JavaScript. Within Microsoft, resources and power shifted away from the operating-systems executives to favour those responsible for Internet-based initiatives. Compare this with Microsoft's .NET strategy, conceived after Myhrvold's retirement.

.NET enables fragmented use of software services by subscription and is characterized by a high degree of control by Microsoft over what companies are, and are not, included in the initiative. Various carrot-and-stick incentives were proposed to both potential partners and large, corporate customers in an attempt to promote the move to new operating software versions required by .NET. According to industry analysts and commentators, a clear pattern of fragmentation, isolation of those using prior versions and punitive exclusions is emerging. Quite literally, this architecture requires less



'filling in' by the consumers, as name, passwords and even financial account information can be automatically maintained by a Microsoft .NET component, Passport. Within Microsoft, power has reverted to the traditionally strong operating-system factions. Without Myhrvold's Cool moderating influence, the Hot corporate culture returns to the fore.

Designing a Business from the Ground Up

Of course, every company works from its own *ground*, created by both the business conditions in which it exists, and the people who comprise the *corpus corporatus*. As the grounds for different companies are unique, so too are the hidden or unnoticed effects that influence them. Ideally, each company evolves uniquely. Its offerings will be developed in such a way that they will have unique twists or approaches to a market as management is able to perceive it. Effectively, every company will do something different.

However, in today's business reality, this is not the case. The influence of business schools' case-study approach, adopting so-called best practices discovered by others, and the ever-pressing need to "just get the job done," has a curious homogenizing effect that has become the hidden ground for much of North American business. Companies will tend to move in parallel lines because of an artificial, often self-imposed, common

ground. Old-line companies tend to play follow-the-leader, especially as senior executives who are successful in one context are recruited into another for a round of "lead the followers." New start-up companies experience a bandwagon effect that tends to be exacerbated in a Hot industry. For example, for a short time after **Netscape** issued its wildly successful IPO, browser companies were all the rage. **Amazon.com's** apparent success — at least for a relatively brief period in the stock market — begat online booksellers galore. Most of these boasted overall financial results akin to those of the only recently profitable Amazon, during the years before it finally realized what business it was really in.

It is said that a person is truly insane if he or she repeats the same actions over and over, expecting a different result. If effective competition in business derives from differentiating oneself from others in the same market, what else can one call this attraction to 'follow the leader,' but a form of collective insanity? To be polite, one could call it being numbed by a Hot competitor.

Managers could alternatively take a Cool view of their respective, unique grounds and apply new tools to develop original thinking about a new business venture or opportunity. The movement and evolution of their companies should be more akin to Brownian motion, the independent movement of particles caused by collisions with molecules of the surrounding fluid medium. In business's case, the collisions with surrounding molecules are analogous to interactions with other companies, including competitors. There will be numerous unique approaches in the same market Medium, many of which could be complimentary to each other, rather than competitive.

And what does this change? When McLuhanesque thinking is applied in the context of developing businesses, the management team can discover new alternatives and approaches to existing markets. These could result in more choice to customers and consumers, and possibly the end of industrial age competition as we have known it — that is, as the hidden ground of the business paradigm. **RM**