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MBS: Have you ever wondered what it's like to be a CEO? I mean, a CEO of a really big company, where they talk about numbers like billions. I mean, what do they do all day? I'm Michael Bungay Stanier, and this is Two Pages with MBS, where brilliant people read the best two pages of a favorite book of theirs, a book that has moved them, a book that has shaped them. And today my guest is Dig Howitt. He's CEO of Cochlear, which is a company that make hearing possible for people of all ages, people the traditional hearing aids don't help, and Dig happens to be a friend of mine. We went to high school together, and he was that genius numbers guy, the analytical, brilliant math kid who excelled in the math classes and the physics classes and the science classes.



I mean, I was in those classes, but I was holding on with my fingernails. All I really wanted to do was get to the English class, which was my zone of genius. I loved those classes. So when Dig came up with his book, I was actually pretty surprised by the choice of it. But we'll get to that in a moment. I started this conversation by asking Dig why he actually left mathematics, why he left that possibility, that shining future of his.

Dig: I was interested in business when I left university, and so I wanted to see if I actually had... Sort of interesting, I was interested in business because I had no idea what business did. I hadn't grown up in a business. I'd never worked in a business. My dad was in the public service, but I decided business was interesting, probably because I knew nothing about it.

MBS: But Dig was about to learn the hard way. His first job managing a company was not only in an industry he knew nothing about, he was actually surrounded by people, he was leading people who'd been in that industry longer than he'd been alive.

Dig: I had done five direct reports who had about 150 years experience in the cement industry, two of them with children older than me, spent forever in the industry and then I turned up, knowing nothing. So it was really actually really good. I say, it's a really good first management experience because I could not do the jobs of the people working for me because I



had no idea what they're doing. So I actually had to do the only thing that was left, which was managing lead.

MBS: Imagine if you were in that position. Everybody around you knows more than you, and yet you're expected to lead them. I mean, naturally there was some tension, maybe even some hostility there, but Dig showed his leadership in a very honest way, which is absolutely true to Dig as I know him. There was a certain employee who was working against him, pushing back against him on every turn. So Dig call him on it.

Dig: And he pretty much said, "Yeah, well, you'll move on. I've been here since the plant was..." He was part of building the plant. "I've been in this plant forever. You'll move on and I'll just keep doing what I've always done." And so I said, "Okay, I'm only going to move on if I'm successful. So if you're working against me, I'm not going to be successful, and I'm probably going to be here for a whole lot longer."

MBS: You can't knock that logic. I mean, neither could the employee, and Dig was successful. He did move on and eventually he worked his way up and became the CEO of Cochlear about three years ago. And today our analytical, math-loving guest is sharing a book that is almost counter to his previous grounding, his previous way of thinking. It is a business classic. It is *In Search of Excellence* by Tom Peters.

Dig: Professionalism in management is regularly equated with hardheaded rationality. We saw it surface at ITT in Harold Geneen's search for the "unshakeable facts". The numerative,



rationalist approach to management dominates the business schools. It teaches us well-trained professional managers can manage anything. It seeks detached, analytical justification for all decisions. It is right enough to be dangerously wrong, and it arguably has led us seriously astray. It doesn't tell us what the excellent companies have apparently learned. It doesn't teach us to love the customers. It doesn't instruct our leaders in the rock-bottom importance of making the average Joe a hero and a consistent winner. It doesn't show how strongly workers can identify with the work they do if we give them a little say-so. It doesn't tell us why self-generated quality control is so much more effective than inspector-generated quality control. It doesn't tell us to nourish product champions like the first buds in springtime.

It doesn't impel us to allow — even encourage, as Procter & Gamble does — in-house product-line competition, duplication, and even product-to-product cannibalization. It doesn't command that we overspend on quality, overkill on customer service, and make products that last and work. It doesn't show, as Anthony Athos puts it, that "good managers make meaning for people, as well as money." The rational approach to management misses a lot. The word "strategy," which used to mean a damn good idea for knocking the socks off the competition, has often come to be synonymous with the quantity breakthrough, the analytical coup, market share numbers, learning curve theory, positioning business on a 4- or 9- or 24-box matrix. Don't misunderstand us. We're not against qualitative analysis per



se. The best consumer marketers, such as Proctor & Gamble, do crisp to-the-point analysis that is the envy and bedevilment of their competitors.

Actually, the companies that we called excellent are among the best at getting the numbers, analyzing, solving problems with. Show us a company without a good fact base — a good quantitative picture of its customers, markets, and competitors — and we will show you one in which priorities are set with the most byzantine of political maneuvering. What we're against is wrong-headed analysis, analysis is too complex to be useful, too unwieldy to be flexible, analysis that strives to be precise (especially at the wrong time) about inherently unknowable, such as detailed market forecasts when end use of the practice still hazy (remember, most early estimates of the market for computers was 50 to 100 units) — and especially analysis done to line operators by control-oriented handoff... Hands-off staff. We're also against situations in which action stops while planning takes over, all-too-frequently observed "paralysis through analysis" syndrome.

We've watched too many line managers who are simply want to get on with their job but are deflated by central staffs that can always find a way to "prove" something won't work, although they have no way of quantifying why it might work. And above all, we deplore the unfortunate abuse of the term "rational." Rational means sensible, logical, reasonable, a conclusion flowing from the correct statement of the problem. But rational has come to have a very narrow



definition in business analysis. It is the "right" answer, but it's missing all the messy stuff, messy human stuff, such as good strategies that do not allow for persistent old habits, implementation barriers, and simple human inconsistencies.

MBS: I love that. I mean, I love Tom Peters because, I mean, like you, that was his first book. He was the first business speaker I ever saw. And a couple of years ago, he and I shared the stage together speaking at a business conference, and that was quite a thrill to go, "Oh, there's a cycle of life thing happening here."

Dig: Yeah. Fantastic.

MBS: Well, what struck a chord for you rereading that?

Dig: It is that... So much that there... Two things. Analysis is important, but has finite use. People are incredibly important and are the only thing that actually makes a business succeed, and that's that core message and the idea that, actually I think was probably more relevant at the time, that management could be totally systemized. Yes, you can, but it's got to have the leadership overlay or you won't get the best from people who might just... And therefore we won't get the results, and good companies have worked that out.

MBS: What impact did it have on you when you started reading that? I know you can't remember the details, but how did it shift things for you?



- Dig: It was just the fascination that there was a methodology to business, that there was learnings you could get from looking across business. There was a process to follow, because I had no idea what, apart from a business sold things... Made things, sells things, and hopefully have some money left over. I didn't really know.
- MBS: Yeah. [crosstalk]. That's a quick summary of an executive MBA to everybody who's listening, Dig's giving it to you in three sentences. So you've mastered it. He's issuing certificates later on at the end of the interview.
- Dig: And I think part of the bit that grabbed me was that to be really good is genuinely about people and about leadership. And actually, if you look in the index of In Search of Excellence, there are six pages with reference to leadership and a hundred and something with references to management. And I don't know if this was early in the days of actually calling out leadership as something a bit different from management, but that's what I remember. One of the things that struck me was actually, this is a lot about people, and how do you get people to do things? Back to the, having the plan's great, but you got to get the plan done.
- MBS: How do you now hold the difference between leadership and management?
- Dig: Oh, I think it... Leadership is the, I think, the people part of it, and management is more the process of, and very important. You've got to have both, you've got to have a plan. You've got



to know what are the actions to deliver that plan. You've got to have measures along the way. You've got to have... It's the plan, do, check act. Loop. I think it's fundamental to good management, but actually really making that loop hum is leadership.

MBS: That's really nice. I think it's one of the curses of modern business that management is a term applied to people, because it objectifies them and it dehumanizes them. Whereas I think if you go, "Management's about the process and about the buildings and about the machines and about the systems, and leadership is about the people," that's a helpful separation of terminology, and language matters in times like this.

Dig: It does. And it probably would help us to be clearer on... There are these two arms of, I can say a senior management role, but a senior leadership role, a senior role in a business. You have to have the management process, but you must have the leadership to be successful.

MBS: You talked about, when you were talking about your role at Cochlear, which is to be helping to influence the culture and there's endless conversation in management journals about, is it culture or is it strategy? Does culture eat strategy for breakfast or are they both, or is it more like a buffet and you have to have a little bit of both? I'm wondering where you weigh in on that. When you look at the strategy and you look at the culture for Cochlear, how do you find the balance between them as the CEO?



Dig: I think you do need both, but I think the culture is essential to strategy execution. So yes, you've got to think through the strategy and you don't need too many people to think through the strategy and work it out and you get feedback from across the business, but the culture you need everyone in on.

MBS: I love that distinction. That's so good. I've never heard it said like that, but I think there's something really powerful about that, which is, strategy, if you've got some really smart people and they got right perspective, you're going to have an interesting debate, and then it's like, "Let's roll this out," but culture, it's either everybody or it's just not a culture.

Dig: Yes. Yeah. Because I think culture is fundamentally about how do we all work together, and for what purpose are we working together? And it is all. And so, you can't opt out of the culture. And I think it's one of the, over time, we've seen people come into the business who are talented people, but don't succeed. It's because they didn't get into the culture. You've actually got to be in the culture to move it. You can't be on the outside pulling, or pushing.

MBS: Let me ask you another difficult question. I feel like I'm peppering you with difficult questions, and I appreciate your patience. We, a couple of weekends ago, we were together hanging out over the weekend, which was delightful. And I remember you saying kind of casually, you never liked having a boss. And I remember that, because I was like, "Oh my goodness, that's me too." I was lousy as a person to be led,



honestly. I feel sorry for almost all of my bosses, and some I feel angry about, but most I just feel sorry for them because they were dealing with me. What have you learned about not just being a leader, but being a follower?

Dig: Hmm. Yeah, that is a tricky question, because I'm not sure I'm a very good follower. I mean, I've worked for some wonderful people over time, and the best thing about them was they were interesting and inquisitive, but let me get on with it. So they would question, they'd ask what I was doing, they'd give ideas, and then they'd take their hands off. Because I hate being directed, and I suppose I've had a independent streak for, in me, from somewhere. So I probably, that doesn't make me a very good follower. It's a good question that I've never really thought through. That's probably a bit arrogant, isn't it? Never thought about following.

MBS: Well let me ask you this, then. What, knowing that you, like me, are not necessarily a great follower, what does that teach you about being a leader? If anything. I mean, it's all getting a bit... Convuluted a bit, but if you can follow me, what do you think that experience means about how you show up in the way you lead?

Dig: Yeah, I think a few things. I think one is, give people space. I think you have to give people space to fail. That's something I've learned over time, it's something I'm often saying to people is, "Let them go. The company won't go bust if this fails." And actually, people really do fail because they work out if they're going wrong and course-correct. So I think that



freedom, trying to give people as much freedom as you can, to say, "Get on and try something and test yourself and stretch." Certainly that's how I want to be, so it's a bit how I want to treat people, but then the hard bit of leadership is, well, when do you go in? And how do you go in, in a way that hopefully is... Builds rather than detracts. Things are going really wrong. It's easier to build the knot, but mostly things aren't going really wrong, and there's often more downside than upside. So intervening, hopefully, in a way that adds is, I think, a real challenge, and I get it wrong plenty of times, I get it right sometimes.

MBS: Dig, how do you build capacity for failure within an organization? Because people talk a big game about that, and there's so much pressure. I mean, on the one hand, we know the intellectual arguments for it, which is like, this is actually how you do blue ocean strategy. This is what innovation actually is, a series of failures on the road to figuring something else out. But when you're a public company, you've got obligations to your board and to your shareholders and to the multiple stakeholders that you interact with. And I understand your capacity for failure because it's part of your independent streak, but how do you help build that within a company of 4,000 people?

Dig: I'm trying to learn how, I think is the best answer to that. I certainly talk about it. We try to bring examples of failure up, to talk about it, but that's hard because, A, there actually aren't a lot, because people do course correct. Yeah. And B, people often don't really want to talk about them too much



when they are there. But I think, try to make them public. I think also talking about learning, I mean, certainly failure's a fantastic opportunity to learn, and you know, some of the biggest learnings I've had have been through failure, for sure. But it's hard. It's hard to, again, I don't have the magic answer. We're trying to be better at it. We're trying some good things.

MBS: I thought I was going to turn into a co-author a book with you on how to build failure capacity, because it's a thing that people aspire to, and at the same time, have so many things pulling them away from that.

Dig: At the onset, the reality, though, is there are very few things where failure is so significant that it does damage to the business. And if they are, they are probably executive-level issues, where you have hopefully people most experienced at seeing when something's going to fail and correcting first.

MBS: There's a book I read many years ago from a guy called Mike Abrashoff, who was one of those, there's a series of people who've been captains of ships in the U.S. Navy or boats or ships. I'm not sure which one it is, the big ones. And he was one of them. And he had a very useful rubric around that. He said, "Look, there are two types of mistakes. Above the waterline mistakes and below the waterline mistakes. And part of your job as a leader, at whatever scale, wherever you are, is to help avoid the below the waterline mistake, because that actually costs lives and sinks ships, but above the waterline mistakes, it's like, we get smarter by making our mistakes." And that's where the wisdom and the experience



ane the knowledge that only you have because only you at... Only Cochlear has made this mistake, so only we are in possession of the knowledge that comes from making that mistake.

Dig: Yes. Yeah. That's great framing above the water line and below the waterline.

MBS: It's helpful, isn't it?

Dig: And most of what you're doing businesses above the waterline.

MBS: Agree. Again, Dig, this is me being nosy. So you've got to be... Have a degree of discretion as a CEO, but here's a question that I wrestled with myself. So I'm curious to know how you answer it, which is, what have you learned about building a really high-performance senior leadership team, in terms of what goes into that?

Dig: Yeah. I will not at all proclaim to be an expert on this, and very much learning, have been learning on this for my whole career, I think. How do you do it, and have not found the secret sauce, I think. That said, I have an excellent team. I think a few things that, over time, is... One is, you really want people to be genuine when they're in the team. So you don't want pretense, don't want uncontrolled ego. Everyone who reaches a senior level has an ego. So not saying no, can't say no ego, but control. Got to be suppressed, or subordinate to the good of the organization.



- MBS: I think that's the secret, right, which is like, you're serving yourself, but you're playing across the organization at a senior level. You're not playing for your little part of the pie.
- Dig: Yes. Yeah, yeah. That sense that, yes, we're all here to have the organization succeed. What's that mean? That means our customers succeed. So if we can get that sense, and then an openness that goes with it is important. I think size is important. I started off with, I think, 12 direct reports, now down to nine, it's a much... That difference of three is significant.
- MBS: Thought you were going to say the size of the people, that like, they have to be over six foot three, or we just don't hire them, but okay. That makes more sense, size of the team, yeah. A tighter team rather than a bigger team.
- Dig: Yeah, that's right. I think diversity of views is important. I think I've got good diversity of views. I don't have great diversity of backgrounds. But that's all work in progress, but it's a great question, and I really don't know the answer other than the things I've learned on experience and you're just forever working on it.
- MBS: Yeah, for sure.
- Dig: It's an endless task.
- MBS: It's one of the hardest things. How do you allow diversity of views to flourish within the team?



Dig: By not speaking first is an important one.

MBS: So right.

Dig: Sometimes I still don't quite learn that one, but if I stop and think, I do. So that's part, and then when they're there, trying to encourage them, trying to follow the ideas through rather than shut them down with a, "Well, we tried that," or, "I know you're going to be coming from there, because that's where you came from last week." So I think it's, again, a hard thing to do, but trying to build it. I think part of it is, and I don't do this enough, but getting other people in, or external ideas in, can often spark another way of thinking or another train of thought or an idea.

MBS: I can see that. Can you disrupt more familiar patterns of conversation, because I can imagine with different players, but the same players are like, there's a pattern how a conversation unfolds, and an external person can disrupt that pattern.

Dig: Yeah. And I think if we can get people, yes, thinking creatively too, a fresh idea to build on or to step from can help that process.

MBS: I think this has been such an interesting conversation. I've totally, I mean, I've loved it. I have a question I ask right at the end, and it's a broad, it's an open question, so you can do with it what you will. And the question is this: What needs to be said in this interview that hasn't yet been said?



Dig: Oh, well, that is a good last question. Especially without notice. I'm going to turn it around on you and ask you those questions.

MBS: I love that.

Dig: Tell me how to build. How do we build a top team? Tell me how we build that works together, succeed. And tell me how we build a culture where failure is a wonderful learning opportunity.

MBS: Well, suddenly this is now a five hour episode as we try and figure this out. I've just spoken to enough CEOs who say they spend a disproportionate amount of time thinking about their direct reports and the level below them, for all the reasons that you've said, Dig, which is around actually the people you have at that senior level are, in many ways, embodiment of the culture, and what you always run the risk of is that there are the embodiment of the culture past rather than the embodiment of the culture future. And I heard a really interesting phrase the other day, there's all this language around "We're hiring for culture fit," and this person made the observation that, when you're hiring for cultural fit, you run the risk of just an echo chamber, and you actually become stagnant as a culture.

Whereas if you hire for culture add, I think that's a very interesting framing of it, because it's like, how will you both amplify the best of who we already are, and also take us to a new part of... Evolve us, so in five years' time, the culture is



different because of the presence that you've had in this culture. But yeah, hiring great people, just my microcosm scale compared to you, here's what I've learned about me as a leader. I am an excellent leader of people like you, meaning smart and ambitious and willing to take a crack and willing to own accountability and responsibility of the decision-making and looking for coaching and encouragement and appropriate feedback at the right times. But basically I'm like, "You got this and are able to take the power and the authority."

I'm an excellent leader of the people like that. I'm an terrible leader of people who aren't like that, who are more needy and less... And a little more victimy and a little less, "It's too hard, I can't do it, and it's not my fault." And then I get into some of the stuff that you talked about, which is how do I do conflict? I don't even like conflict. I've written about it, sure, but I prefer not to have it. So one of my mentors, I guess, is a guy called Marshall Goldsmith, who's known as one of the senior executive coaches in the world. When he thinks about his clients, he has a great phrase, which is like, "When I fail, it's because I have a problem in client selection," because it's like, if you pick the right people, you're on the right. If you've failed with a client as a coach, it's because you just hadn't figured out that you weren't going to work it.

So all of that to say it's hard, but spending that time constantly thinking about the makeup of your senior team is definitely one of the messy, difficult, high potential ways that CEO's can survive, I think, and succeed.



Dig: Yeah. Wow. Interesting. Thank you.

MBS: There's a bunch of things I got from this conversation. Honestly, I kind of geek out about on this conversation, because it's right in the heart of what I think about when I'm doing work with big organizations, it's culture versus strategy. I love Dig's perspective on that. The weight of a leader's word, takes leaders so long to realize that if you're the boss, what you say is never a suggestion, it's an order. So Dig said, "Speak last, speak second." And I thought this was really interesting, how important and how difficult it is to encourage people to make mistakes. I mean, imagine you're the CEO of a billion-dollar company, and it's still a challenge to get your organization to take risks. But what I'm really taking away from this conversation is a kind of meta-learning, a perspective and a realization that the people I admire are those who go fearlessly and the hard, big, messy ambiguous problems.

I mean, Dig is leading Cochlear. It's a billion-dollar company. Shannon, who's the CEO of Box of Crayons, which is the learning and development company I founded. I mean, we're not even, well maybe close to 1% of the size of Cochlear, so totally different in terms of complexity, in terms of scale, in terms of reach, but the conversations I have with Shannon about what she's thinking about and what she's wrestling with, and what's hard and important for her, pretty much exactly the same as the conversation I just had with Dig. And in fact, that's why she is such a brilliant CEO. Not only does she have skills and understanding and a depth of knowledge



around learning and development, but really a capacity to keep pushing into the hard, messy stuff is, I think, what makes her an extraordinary leader.

I mean, it's ironic really, that leadership, and I would say being strategic, becomes less about the answer and more about, what are the questions that really matter? Of course, it's ironic, it's lovely, because I am all about curiosity and championing that, and Dig was such an embodiment of that. I mean, I hope the conversation with Dig actually inspires you to go, "Well, what are my big questions? What are the big, messy things for me? And how do I have the courage and the fortitude and the patience to step forward into that, poke a finger in that and see what comes out, see what emerges?" Thanks for listening to Two Pages with MBS. I hope you'll consider joining our free community. It's called the Duke Humphrey's, and it's named after my favorite library at Oxford, which is where the rarest and most extraordinary books were kept. At our Duke Humphrey's, you'll find transcripts and unreleased episodes and more, and you'll find the Duke Humphrey's at mbs.works/podcast.

And of course, this podcast grows best by word of mouth. So if my conversation with Dig has struck a chord for you, please think of one person in your life who'd also be intrigued by the perspectives of this CEO, what it means to be strategic, what it means to put culture in front of strategy, or at least to find the balance between them. And please let them know about the episode, because here's the thing. More subscribers means I have more chance of landing the extraordinary



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