

Complacency is the enemy in Serco's psychology of success

A growing business turns to analysis to develop management skills, writes **Stefan Stern**

From its quiet, elegant offices by the banks of the Thames in Richmond, Surrey, Serco is steadily building a great British success story. Not that it is a company name which is exactly on everybody's lips. But even if you have never heard of the outsourced management experts, the chances are that Serco managers have already had a big impact on your life, whether directly or indirectly.

Serco managers supervise the UK's £5billion atomic weapons programme. They manage the Queen's Flight. They run the Docklands Light Railway. The list goes on and on, as chief executive Christopher Hyman, says: "We are the largest employers of scientists in the UK - nobody knows that. We're the largest private air traffic controller in the world. Nobody knows that. We set Greenwich Mean Time, we keep the original kilogram."

Serco was formed long before most people in the UK even heard of the word 'outsourcing'. A management buy-out in 1987, followed by flotation the next year, was the beginning of a 16-year story of growth - 26pc growth on average year on year. A firm that employed under 2,000 people then now has 36,000 staff working in 37 countries, turning over £1.6billion a year, with an order book filled with over £10billion of business.

Sitting on top of this sort of consistent performance, and faced with the prospect of more demanding and more lucrative contracts, Serco's directors have been thinking hard about what steps to take to prepare for the next phase in the company's growth. And they have acted decisively. They have called in a team of business psychologists to help them out.

That's right - business psychologists.

You might think the time to call in that sort of help would be when the results were heading in the opposite direction. There doesn't seem

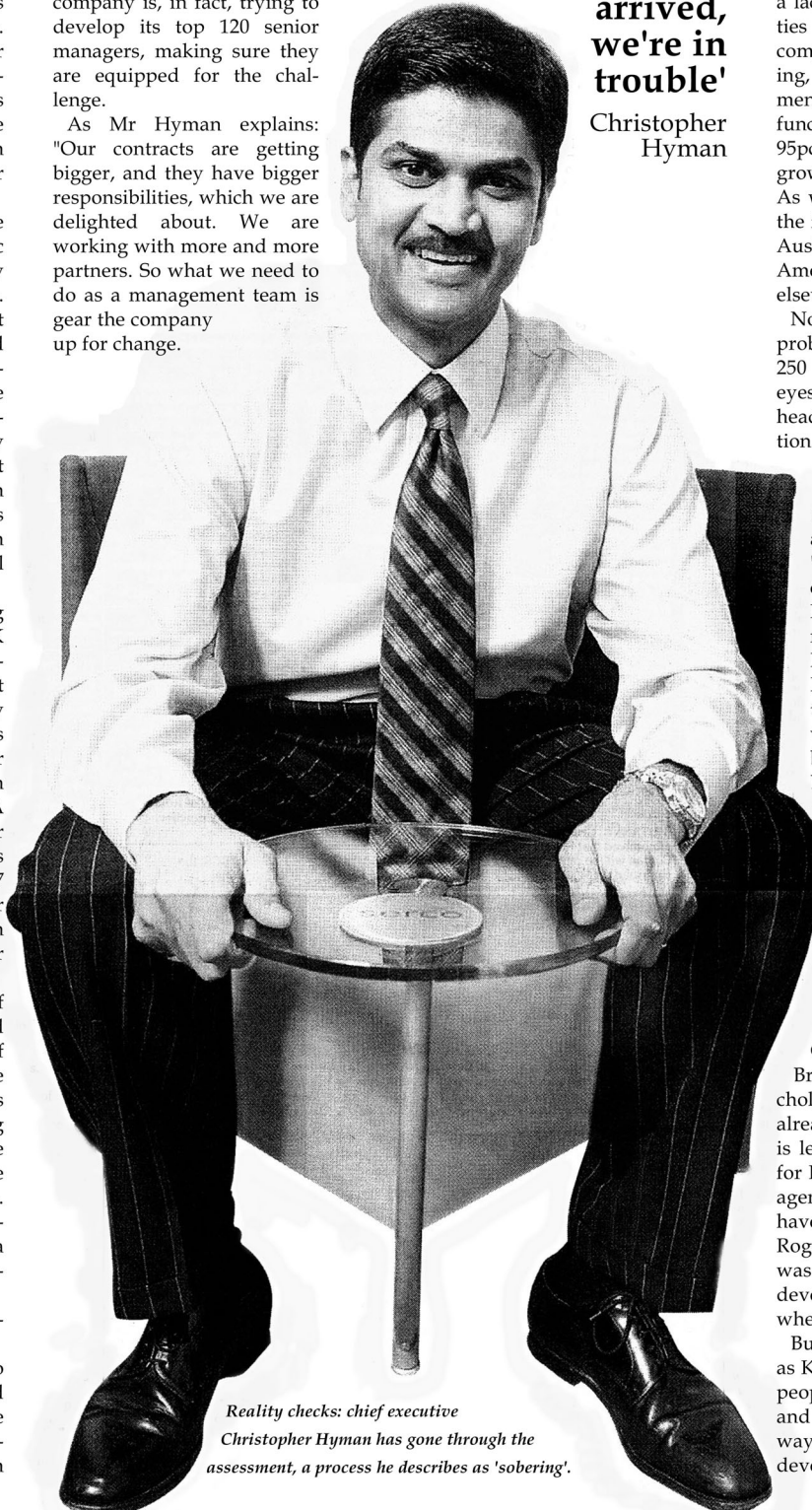
to be anything in the figures that would suggest any psychological frailty among the company's leadership.

But that's not what the Serco initiative is all about. The company is, in fact, trying to develop its top 120 senior managers, making sure they are equipped for the challenge.

As Mr Hyman explains: "Our contracts are getting bigger, and they have bigger responsibilities, which we are delighted about. We are working with more and more partners. So what we need to do as a management team is gear the company up for change.

'I encourage avoiding complacency. You haven't arrived; the moment we've arrived, we're in trouble'

Christopher Hyman



Reality checks: chief executive Christopher Hyman has gone through the assessment, a process he describes as 'sobering'.

We are bulking up our management skills."

Mr Hyman, who has been with the firm for 10 years and took over as CEO two years ago, is very clear that it is not a lack of business opportunities that could harm the company's future. Outsourcing, particularly of government and other public sector functions - which makes up 95pc of Serco's work - is a growing international trend. As well as its solid UK base, the firm is trading actively in Australia, Canada, Singapore, America, Hong Kong and elsewhere.

Nor is the lack of capital a problem. While still a FTSE 250 company, Serco has its eyes on the FTSE 100, and is heading steadily in that direction. No, the only capacity constraints that could affect the company have to do with the talents and abilities of its people.

"We do business in a certain kind of way," Mr Hyman says, "and we need more Serco people like that in the company. It is an acute need because the business is growing very fast. We do have a balance sheet of talent. But as you draw on that more and don't replenish it you'll run out, or worse you'll put B teams in. And you mustn't put B teams into projects - because teams achieve B results."

About 18 months ago Serco turned to Kaisen Consulting, a team of Bristol-based business psychologists the company already knew. Gwyn Rogers is leading this piece of work for Kaisen. "Bringing in management consultants would have been the 'safe bet'," Mr Rogers says. "But Serco's aim was very much targeted development, and that's where we can help."

Business psychologists such as Kaisen assess and measure people's abilities, aptitudes and potential, and suggest ways of improving skills and developing future leaders.

Business psychologists are usually chartered occupational psychologists, according to the official title awarded by the British Psychological Society. It takes seven years to qualify as an occupational psychologist - a first degree, followed by an MSc and then two further years of practical study and specialising.

Serco has been encouraged by the results of Kaisen's work so far. "With Kaisen there's an audit trail," Mr Hyman says. "You can explain why an observation has been made. The work looks at potential as well as the present."

The development work takes place in several stages. An initial assessment of the individual is made through a so-called 360 degree appraisal process, where up to 12 (anonymous) colleagues are invited to identify strengths and weaknesses in their colleague.

These results can be compared (with revelatory effect) with the assessment that

individual senior managers make of their own abilities.

Managers then undergo a further two-day process of one-on-one interviews, discussion and assessment, at the end of which the Kaisen psychologist will present the Serco manager with a suggested way forward, including specific development activities - maybe coaching, perhaps a targeted course, or some other activity. These next steps are pulled together in a 'personal development plan'.

All the top Serco managers have been through this process. "It was fairly sobering," says My Hyman, "but I wanted to know where I needed to develop, what I needed to do to change. It's no use me sitting here telling other people to go through this - that has no credibility. All of us in the top team believe in this very strongly."

A key element here is Serco's understanding that its senior managers have different personalities and needs,

and that talents can be drawn out in a range of activities.

This is not about signing up to a long list of training courses. It is about the strategic development of a leadership cadre.

Complacency seems to be the main enemy at Serco, even if - especially if - results seem to be going the right way. "I always try to encourage this attitude of avoiding complacency," Mr Hyman says. "You haven't arrived; the moment we've arrived, we're in trouble."

Edward de Bono's six thinking hats:

Serco is a big believer in the lateral and creative thinking ideas popularised by Edward de Bono. It is another example of the firm's openness to unconventional ideas. In his work on creative thinking and problem solving, de Bono has argued that the ego and human personality can get in the way of lucid and effective discussion.

To take the ego out of the conversation, de Bono recommends forming six separate teams who should look at a problem from a specific point of view, or with a specific mind-set. These mind-sets can be thought of as different 'thinking hats', each in a different colour.

A blue hat is worn by 'process co-ordinators'. This is the cool and rational thought process that provides structure to any problem-solving. This is an unemotional and logical approach.

A red hat represents emotions and feelings, presenting both positive and negative emotional reactions, and intuition. This is the energetic, challenging side of decision-making.

A yellow hat represents speculative and positive thinking - optimism. The yellow hats open up possibilities.

A black hat takes a more pessimistic view, searching out the risks. "All our new ideas have to be rigorously black-hatted," says Serco's Mr Hyman.

A white hat points out the objective facts that are known or are likely to be true. This is a neutral role.

A green hat wearer is there to find alternatives and be different, unexpected.

The different hats are finally thrown into the ring, as it were, when the time comes to take a decision and execute a strategy. With any luck that decision is not about ego but is more soundly based. But don't forget gut instinct. "In the end," de Bono says, "all decisions are really red hat." But not, we must hope, old hat.