COVERT OPERATIONS

Few executives have insight into what really goes on in their organizations. CEO Stephen Martin seized a rare opportunity to anonymously discover the nitty gritty of his company. He shares his insights with Julian Birkinshaw and Stuart Crainer.

The clean and orderly, even elegant, surroundings of a company’s headquarters bear little resemblance to the sites where products are manufactured or services are provided. Often geographically removed from the workplace, the upper levels of an organization are also distanced from information about worker attitudes, values and priorities. Unfortunately, the higher one rises in an organization, the more difficult it is to know what’s happening on the loading dock, shop floor or sales counter.

While most leaders agree that staying in touch with the day-to-day business is important, they would also agree that it isn’t easy to do. “Management by walking around” sounds like a good idea, but few people can behave naturally when the boss is watching. As experiments at the Hawthorne Works in the 1920’s demonstrated, people act differently and often are more productive when they know they are being observed – the Hawthorne effect.

When Stephen Martin became CEO of the Clugston Group in December 2006, he wanted to know the business inside out. With an MBA from London Business School and extensive experience, including the turnaround of ailing construction company, he felt well prepared to take on the challenge of this £155 million turnover. At that time, Clugston had over 700 employees and an equal number of sub-contractors and suppliers. The company is involved in construction, waste energy and property development and has a specialist logistics arm handling the distribution of steel, a tanker fleet, and a commercial vehicle maintenance branch. Martin’s concern was how to understand the culture of the organization, a necessity before beginning any improvement programmes.

“I came in as the new broom. During the first week I was walking around the building just to meet people and was told that people would think there was something wrong if I continued doing that. It was very much a them-and-us sort of culture. I was at one end of the building protected to stop anyone getting anywhere near me,” Martin recalls. “I’ve done a lot of things in the time I’ve been here, I changed the structure, I changed the strategy, I pushed our promotion and publicity, and I even changed the logo.”

Undercover work

Martin’s emphasis on promotion and publicity led to an article about the company appearing in a trade journal, Construction News. It came to the attention of Jenny Crowther, a producer for Channel Four television in the UK.

At the time, a team at Channel Four was working on a programme called “Undercover Boss”. The programme would be built on an already
successful formula, “Secret Millionaire”, in which millionaires go undercover and seek out people who would benefit from their financial backing. Channel Four was in negotiations with the biggest construction companies in the UK but couldn’t get commitment to go ahead from the CEOs. Then Crowther got in touch with Martin.

Martin emphasized that Clugston wasn’t interested in doing this for the greater good. “We needed to raise our profile and win work and, also, I wanted to learn as much as I could about the company. This seemed a fantastic way of doing it,” he recalls. He suggested a number of his colleagues as likely candidates to go undercover, since he reasoned that two weeks out of his busy schedule would be unworkable. Channel Four thought otherwise.

“They said it would be an opportunity for a boss who’s removed from the action to go back and see how tough it is at the coalface. They wanted to see the personal, emotional stories and how I would react to dealing with people who were losing their jobs, had a gripe against the company or didn’t like their work. They thought that would make good TV, which I appreciated; but I genuinely wanted to find out how people felt about the company, what they really thought and what were the things I didn’t know about, because I’m too protected.”

Since Martin was a regular visitor at most of the company’s sites, the TV production team feared that he might be recognized and that, consequently, workers wouldn’t behave naturally. To get round this, Channel Four sent in a research team that spent two months going to all of Clugston’s construction sites, getting to know project managers, the workforce, engineers, surveyors, and administrators. People in the know signed confidentiality agreements, and Martin was not told where he was going to work until he was picked up every morning.

“People were told it was a programme about somebody who worked in an office coming to see what it’s like working on construction sites, but they didn’t know who it was. I was worried that, with the TV cameras in their faces, people wouldn’t behave normally. There was one guy in particular who was a bricklayer and so friendly and down to earth that I suspected he knew who I was. Then the director told me that this was the way he behaved with everybody during the two weeks of research.”

For his period undercover, Martin wasn’t allowed a mobile phone, business cards or a wallet. He was given a daily allowance and billeted in a cheap hotel. “As a chief executive, you have to make decisions, you’re giving presentations to shareholders, you’re leading strategy meetings and you’ve got your suit and tie – you’re in charge,” Martin reflects. “I had to go out on site and not be in charge, take instructions from apprentices or from 20-year-old general operatives who would tell me that you’ve got to do this and you’ve got to do that. And when I saw things that I wasn’t quite sure of or happy about, I couldn’t say, ‘Well, we need to do that’, because I had to stay in the role.”

During two weeks of hard labour, Martin escaped detection as the company’s CEO even though one joiner did think he bore a striking resemblance to the boss. Some suspected he was actually part of the “Secret Millionaire” programme until he pointed out that a construction company was an unlikely outlet for a wealthy benefactor.

Lessons learned
Stephen Martin learned several lessons during his time undercover.

The team’s the thing. “The camaraderie on all sites I visited was just absolutely amazing. I used to sit in boardrooms in health and safety management meetings and wonder, ‘Are our people as committed, dedicated and as passionate about the company as we are sitting around this table?’ And at the site I found out, yes, they were. I’ve seen lots of examples of everybody looking out for each other. I was lifting lengths of timber, and after five minutes a young guy of about 18 came over to me and said, ‘You have to stop doing that, you’re lifting that all wrong, you need to bend your knees and lift like this.’ They just look out for each other. Everybody took advice and guidance from each other; it didn’t matter what age they were, from a 17-year-old apprentice to a 64-year-old about to retire. If somebody had a better way of doing something, they would describe and explain it and help, support and question. You don’t get that in an office. The teamwork was amazing to see firsthand.”

Learn what gets read. The second lesson for Martin concerned company communications. Working on sites, he quickly realized that no one read the
regular stream of emails, bulletins, and newsletters the company sent out. “They don’t read it on site, they haven’t got time. They just want to know, have they got a job, are they getting paid, what’s their bonus, when’s the next tea break?”

**Being open is critical.** The company was laying off some of its people during the time the program was being filmed. Martin was surprised at the source of the workforce’s frustration and annoyance. “I knew that there was going to be a lot of hostility, upset and anger, but I found it wasn’t directed at the company; it was directed at the lack of communication. Everybody knows it’s tough out there. They see the news, they read the papers, they know what’s going on. What they wanted was honesty and communication and being straight with them.”

**It really is all about people.** For Martin, the experience of working on the front line was a reaffirmation that every business is fundamentally a people business. “I’d think, why do people want to work outside in all weathers instead of working in an environment where it’s safe and protected? The reason is they love it; it’s what they want to do. Everyone’s different. They’ve all got different skills and capabilities, things they like doing and things they don’t like doing. I was shocked to find that some of our younger people were effectively going to be made redundant after a job finished because we didn’t have the next job for them to go to. It seemed such a waste to invest all that time, training and effort, and then to let them go because there’s a delay in a site starting.”

**Preserving knowledge is key.** Martin encountered workers soon to retire without passing on their skills to the next generation of workers. “I thought, that’s ridiculous; we need to capture the enthusiasm and passion and pass it down.” As a direct result of his undercover experience, he has now introduced what he calls the WETS – worker engagement teams, in which people can share their knowledge with management. Martin is also a firm supporter of coaching activities, and Clugston now offers those approaching retirement the opportunity to provide their knowledge and skills to young people beginning their careers.

**Integrating subcontractors helps.** Clugston employs a variety of subcontractors and temporary employees, as do many other companies, particularly in the construction industry. “It opened my eyes to the issue of how do you manage, motivate, encourage and get the best out of subcontractors who work with us one week and then the next week they’re off to another site,” says Martin. His conclusion was that Clugston needed to simplify its procedures and to work with fewer subcontractors so that they can be fully integrated into the site teams.

**All is revealed**
At last, it was time for Martin’s identity to be revealed on camera to a selection of the people he worked with. For dramatic effect, one worker was called to head office where his workmate’s real identity was to be revealed. Having only been invited to head office once previously in his 30+ years of service, he detected imminent bad news and refused. Another candidate was in a labour ward with his partner having their first child – undeterred, the secret boss arrived with a camera crew.

Great TV, but did Martin’s company benefit from this unlikely adventure? “I’ve used the experience as a catalyst for major changes,” Martin says. In particular, the company’s communication methods have been totally revamped. Clugston no longer solely relies on notice boards, emails or bulletins. Instead, it has two weekly meetings during which supervisors meet with each team in the company for 10 or 15 minutes to give them an update on what’s happening as well as an opportunity to ask questions. Short monthly newsletters go to everyone with their payslips to ensure they are received. Another innovation has been “skip level meetings”, at which people can meet with their boss’s boss to discuss things that are worrying and concerning them.

Martin feels that the dynamics of his communication with employees has totally changed. “One of the people I worked with said, a few weeks after the cameras had gone, ‘You’ve seen where we work, but we’ve never seen where you work.’ Now, I invite people over to my office to have lunch. We just have sandwiches, no agenda, a general chat, sitting round the table. They treat me more as a...
friend now than as the CEO. Last week, one of them said they weren’t happy with the boots provided on a certain site. They had steel toecaps, but not steel soles, so there’s danger if you stand on a nail. The manager said, ‘I didn’t know that; we should have those. Right, we’ll get that changed.’ And someone else said the overalls at one site aren’t flame-retardant.”

“One of the managers said, ‘That’s the best meeting I ever had with them. They were very open and relaxed, told me what they thought. Why don’t they do that whenever I meet with them?’ And that’s because there’s no formal agenda. It’s sitting around a table having a chat. People speak their minds.”

Perhaps Martin’s most startling lesson from this experience is that people are more comfortable around a camera crew than they are with someone from their own company wearing a suit and a tie. “The frightening thing is that I had been round every construction site we’ve got. I had met all the managers, I had sat in meetings with them, I had walked round the sites and had tours round seeing people working. But as the workforce told me afterwards, I wasn’t talking to them as people; I wasn’t talking to them on their terms; I wasn’t giving them the opportunity to ask me lots of questions. They were inhibited; if they see anybody wearing a tie, they won’t speak to them. Now it’s far more open, and I want that culture to pervade the whole organization. Some of the managers and supervisors are finding it difficult to adapt and change. But I insist on regular meetings, obtaining feedback and going around the sites to check for myself that it’s happening, to see it’s real and not just lip service.”

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