Currents

Book Review—Caution, Competition, and Cooperation Toward Growth

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Cyberphobia: Identity, Trust, Security and the Internet by Edward Lucas. Bloomsbury USA, 2015; ISBN: 978-1-6328-6225-9; 336 pp; $28.

Friend and Foe: When to Cooperate, When to Compete, and How to Succeed at Both by Adam Galinsky and Maurice Schweitzer. Crown Business, 2015; ISBN: 978-0-3077-2021-4; 320 pp; $27.

Rocket: Eight Lessons to Secure Infinite Growth by Michael Silverstein, Dylan Bolden, Rune Jacobsen, and Rohan Sajdeh. McGraw-Hill Education, 2015; ISBN: 978-1-2595-8542-5; 320 pp; $30.

Organizations face myriad challenges as they struggle to grow and claim their share of the market. If economic conditions allow, what measures can be taken to proceed with caution while attempting to expand?

In *Cyberphobia*, Edward Lucas, senior editor at *The Economist*, offers a sobering account of the perils facing a cyber-connected world, yet balances his foreboding tone with intriguing suggestions for individuals and organizations.

A glossary of terms prefaces the first chapter, leveling the playing field for luddites. Lucas quickly gets to the point: "At the heart of all this is the biggest way in which the online world differs from real life. We have no easy, dependable way of proving who we are; conversely, it is hard for us to know who we are really dealing with. Our single weakest point is our electronic identities: the messy, unreliable, easy-to-forget mixture of logins, passwords, security questions and other means we use to control and authenticate everything we do online" (p. 6).

Lucas is concerned that our dependence on computers is increasing at a faster rate than our ability to prevent an attack, which can come from gangsters, pranksters, government agencies, and politically motivated "hacktivists." These groups are often so large that a single member perpetrating an attack may not even be aware of the ultimate purpose for it. Moreover, hackers deal in untraceable digital currency, rendering conventional investigation impossible.

Data breaches in the retail and government sectors have become ubiquitous. Securities firm McAfee puts the worldwide cost of cybercrime at more than $400 billion, including fraud, intellectual property theft, and the resulting effects on profit, investment, and future innovation. With the value of Internet activity estimated at $2 to $3 trillion, McAfee calculates that criminals extract 15 to 20 percent. In addition, customers in 2015 will spend $80 billion on cyber-security, which is comparable to the aviation industry spending about 10 percent of its revenue to prevent planes from being hijacked.

For those new to the methods of cybercrime, Lucas describes a world where identities are bought and sold for huge profits, with "good identities"—those including such information as phone numbers and addresses—bringing in the most money. On this black market, credit card details go for as little as $4, and online banking information for accounts with balances exceeding $75,000 sell for about $300. Interestingly, as the number of banking systems that are breached increases, the black market price for breaking into them has plunged.

In 2013, thieves stole $45 million from two banks in the Middle East in a matter of hours. "Criminals broke into the bank's computers," Lucas writes, "and changed the settings on a small number of pre-paid debit cards—the kind that people typically buy to take on holiday when they do not wish to use their own credit cards. The attackers simply removed the limits on those cards and sent details to criminal gangs in twenty-seven countries, who created hundreds of copies of the cards and simply walked from ATM to ATM withdrawing the maximum possible each time. One gang visited 2,000 cashpoints in New York alone" (p. 20).

Lucas uses powerful and often frightening examples to illustrate the universal scope of cybercrime. He describes "phishing" e-mails, where an innocuous-seeming e-mail results in a third party taking over a computer and releasing it only after a "ransom" has been paid. Attacks like these can be merely inconvenient or they can be catastrophic.

Despite attempts to regulate it, the Internet is seen as a "free" flow of information. Lucas maintains that this is a misnomer. "It is paid for by the real customer," he stresses, "who is the person trying to sell something. You, the user, are not the customer, but the product. The transaction is that your attention is sold to advertisers, while you are distracted by something which you think is 'free'" (p. 38).

Glitches in software provide hackers access to vulnerable banks, governments, and retailers, asserts Lucas. Vigilant updating, as glitches are discovered and repaired, can backfire, however. In one example, spies used malware disguised as updates to sabotage a high-security position.

Lucas urges a behavior change toward cybersecurity, a mental shift he likens to attitude changes at the start of the Cold War, or after the 9/11 attacks, for there are no safe places: Cell phones, USB ports, laptops, and even new "smart" appliances can be targets of cybercrime once they access the Internet. In closing, he circles back to digital identity, endorsing the Estonian ID card, which has been breach-free for more than ten years, as a model for a virtual identity system. A strong digital identity, he maintains, can help ensure that transactions take place only between known customers and businesses whose credentials have been established.

In *Friend and Foe*, Adam Galinsky and Maurice Schweitzer challenge assumptions about the tension between cooperation and competition and the necessity to occasionally shift between the two. The authors present compelling research on how cooperation and competition work together and how social comparisons affect them both.

People are hardwired to make social comparisons, but these comparisons can be a positive influence. For example, people's level of happiness can increase when they consider those less fortunate. Conversely, thinking of those who are more accomplished or in some other way better off will result in unfavorable comparisons. The authors' research shows that new hires during a recession are happier with their jobs than those who enter the workforce in an improved economy and tend to have higher levels of job satisfaction even when the economy bounces back. In these cases, social comparisons made by the new hires led them to be grateful to be employed when others were not.

The authors also consider power and how its presence or absence can affect the outcome of a negotiation or an interaction. Expansive gestures have been tied to power in dominant individuals across species but, surprisingly, just having someone strike a "power pose," such as standing up straight with hands on hips or sitting back in a chair, can be used to instill a feeling of power. Similarly, recalling a moment of power—a "power prime"—before an encounter will help a person take a powerful stand in the interaction to follow. The prime's effect may seem ephemeral, but the authors maintain that if the prime actually alters behavior, it can have a significant impact.

In their exploration of the relationship between power and gender, Galinsky and Schweitzer note that power affects men and women in nearly identical ways and propose that stereotypical gender differences (e.g., men are better at math and science) are actually differences in power. Although a study of 250,000 15-year-old students from 40 countries conducted by Luigi Guiso of the Einaudi Institute pointed to a gender gap in mathematical ability, closer examination revealed that the gap varied across countries. Those with the highest level of gender equality had virtually no gap in math performance.

Symphony orchestras in the United States have found a clever way to ensure that gender bias does not influence hiring. When musicians audition for a position, they perform behind a screen with shoes removed (no high-heel clicks). Claudia Goldin of Harvard determined that "this type of blind screening process increased the likelihood of selecting a woman musician by 300 percent! Before 1970, women made up less than 10 percent of symphony orchestras, but today, after the introduction of blind auditions, they now comprise nearly 50 percent" (p. 112).

Another type of prime can be introduced to reframe a stressful task into something positive. In situations where participants are typically urged to "calm down"—taking a test, performing a speech, competing in a game—researchers, instead, asked them to repeat the phrase "I am excited" out loud beforehand. In each instance, the excited participant outperformed the "calm" one.

Vulnerability, argue the authors, can prove to be a hidden strength. For instance, to quickly build trust with new patients, some psychologists opt to tell a bad joke or spill a bit of coffee instead of reciting a list of potentially intimidating credentials. In so doing, they present themselves as being approachable.

The authors offer several examples of corporations that violated the trust of individuals and examined how their subsequent actions enabled them to recover and, in some cases, improve their image. When Lexus's first model needed to be recalled and repaired, the company transformed a violation into a marketing coup by acting swiftly, responding aggressively, and phoning every owner. The company made the repair process easy for its customers and even detailed their cars and filled them with gas. Within three weeks, the brand was known for extraordinary customer service.

Asking for others' counsel, the authors agree, provides many benefits, but not all advice that is solicited ought to be used. Proper framing of the refusal, however, is essential to avoid offending: "You simply need to explain that although you didn't take their advice, it was their insight that helped you think about your situation in a different light and that their unique perspective turned out to be essential for your success"(p. 222). Always, they emphasize, it is worthwhile to strike a balance between competition and cooperation.

Drawing from their years of experience in building brands across a diverse range of products and services, a team of writers from Boston Consulting Group share eight lessons for growth in *Rocket*. The authors present their branding rules in a brief introduction and then devote a chapter to each one, using examples from numerous organizations.

Highlighting Rule 1, "Don't ask your customers what they want (because they don't know until you tell them)," Leslie Wexner, owner of Victoria's Secret, Pink, and Bath & Body Works, explains that the value of leadership is driving an organization's success. "Leaders must have discipline," he says. "They must demonstrate strength. Leaders are curious. They need to have references in history and learn from those references so that they can see into the future. They need to be reflective and see the patterns. You don't need to be first. You need to be best" (p. 17).

The authors value devoted consumers (whom they describe as "apostles"), so Rule 2, urges, "Woo your biggest fans (because they're absolutely worth it)." These fans represent the top 1 or 2 percent who contribute 20 to 30 percent of sales and are indirectly responsible for an additional 50 percent through word of mouth. The Container Store understands that knowledgeable employees are key to wooing a loyal customer, and so employees undergo 300 hours of formal, on-the-job training in an industry where the standard can be one day. The goal is to have the company's message communicated by the best, most informed representatives, and to learn from them. "Ask deeply and with meaning, 'How are we doing?' Do it every day. And do it quantitatively. Talk to your critics and work like mad to woo them back. Every complaint is a gift—but only if you respond to it. Every compliment is a chance to drive a referral and an endorsement. Every employee should be encouraged to close out his shift with answers to a simple question: 'What was the most memorable suggestion, complaint, or point of praise from customers today?'" (p. 43).

To guide readers in dealing with disgruntled customers, the authors offer Rule 3, "Always welcome your customer's scorn (because you'll come back stronger)." When Frito-Lay saw its once legendary growth declining, the authors offered a demand-centric approach, which relies on the customer's emotional, rather than functional, driver of choice. For Frito-Lay, this meant reframing its category to redefine the market. In a large organization, this prevents brand overlap, allowing each brand its own niche without cannibalizing the firm's other businesses.

The authors consider the visual appeal of a brand with Rule 4, "Looks do count (because people really do judge a book by its cover)." The Disney theme parks, which consistently earn the highest daily admission price of any theme park in the world, illustrate this lesson: staying relevant to consumers and providing them with a visually stunning experience. The chapter on Rule 5, "Transform your employees into passionate disciples (because love is truly infectious)," focuses on Zappos, a customer-service darling, that highly values employees—and stringently vets them, hiring only one out of every 100 recruits it attracts.

"Better ramp up your virtual relationships (because that's what your customers are doing)," advises Rule 6. To illustrate, the authors point to the success of Amazon and Airbnb, which are noted for their aggressive growth in a relentlessly competitive digital market. They urge more expansive action with Rule 7, "Take giant leaps (because you're not going to win with timid steps)." Here, they detail the experiences of Mercadona, a Spanish supermarket chain. "Even a cashier or a shelf stocker who has been with the company for more than four years can get the equivalent of two months' salary in bonuses," the authors note. "In 2014, Mercadona generated €543 million of net profit. Of this, some €263 million was given to employees. In many ways, Mercadona operates like a cooperative. Employees really feel that it is 'their' company" (p. 176). And their customers respond well to those positive vibes: Mercadona was the top-rated grocer in a survey of 32,00 consumers.

Finally, the authors discuss an organization's ability to weather storms with Rule 8, "Find out what schismogenesis means (because it will save your relationships).” Unstable markets require a culture transformation, but sometimes leaders try to advocate change without following through. “You need to communicate relentlessly, consistently, and broadly,” stress the authors. “People will give lip service to the changes and then attempt to carry on as before, shoehorning in their prior ideas and using the new strategy as their justification. But remember, in the end, the consumer gets to decide, and there is no place to hide from the stark fact of progress or inertia” (p. 226).

Each of these three titles urge change—in behavior, in mindset, and in culture—and promise that efforts made toward that pursuit will result in an organization that is poised for rapid and exceptional growth.

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DOI: 10.1002/joe