



*Happy Christmas and New Year
from everyone at
Grant Pearson Brown Consulting Ltd*



Ewan Pearson

The Value Equation

In Berkshire Hathaway's 2008 letter shareholders, Warren Buffet wrote: *Ben Graham taught me that "Price is what you pay. Value is what you get." Whether we're talking about socks or stocks, I like buying quality merchandise when it is marked down.*¹

Being a Scot, I too like buying quality at low prices, and I like his rhyme, but beg to disagree with Ben Graham. This is a radical suggestion as Ben Graham is considered to be 'the father of value investing', writing books on this, and teaching at Columbia Business School.

You see, I think the quote should be 'Price is what you pay and **good** value is what you **hope to get**'.

Why do I take such a contra view? Because when you buy something you often don't know whether it will be any good or not. So you are in part taking the advertising, brand and sales pitch on trust. It is only when you unpack the goodies, be they a product or a service, that you find out whether you were sold a dud or not. You are therefore irrationally relying on belief, trust or hope. *"We're the best; trust us"*.

The topic of Value for Money (VfM) has come up a lot in our recent client work, be it a firm pitching for business, be it an audit mandate, a company to float, or a fund seeking investment.

All are "selling the dream" - that what is for sale is good value. It turns out that we humans are not good at discerning VfM, especially for things we have not yet tried out; that is where any statement about the future lies. *"Our fund/shares/staff will outperform"* (delete as relevant) is a common theme, even if the FSA does not allow it to be stated boldly, if at all.

So buyers use what they can. They often use price as a proxy for value, especially when we cannot discern value easily. This has been found for example with wine, pain killers and perfume in the world of products, and with investment banking and private equity in the financial services world. On a more sophisticated level, buyers include an assessment, often subjective, of quality.

From this at GPB we have derived a simple equation, the Value Equation:

$$V = Q/P$$

Where V is 'Value for Money' (VfM), Q is Quality, and P is Price.

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In this edition:

The Value Equation By Ewan Pearson

Not quite $E=MC^2$. Ewan has a similar looking equation but it is more about money and rather less about light.

Wielding words By Richard Keith

In his 1st article for GPB, Richard advises whether shorter and condensed is the most effective way of communicating.

Two Routes to Persuasion By Alastair Grant

Alastair takes you for a jaunty ride along two roads at once.

The perils of miscommunication By Tim Farish

Tim tells the story of the fateful K2 climb in August 2008, and draws lessons for the business world



The value equation ... continued

If you have a think about this equation, you will see that what people *really* do is to compare quality with price, to try to get the optimal ratio, the maximum value for money.

Think for a moment though about these phrases: “Cheap as chips”, “Reassuringly expensive”, and “Never knowingly Under-sold”, and you realise that actually ‘cheap’ can mean bad as often as it means good, and likewise for ‘expensive’. In America, a huge generalisation would be that the more you charge the better value you must be, in Australia, I’ve found it largely worked the other way round, and in Europe we seem to be somewhere in the middle. It all seems very confusing!

In the EU’s tendering process, VfM is called M.E.A.T, which stands for Most Economically Advantageous Tender.

It is even formalised, with typical public sector and other OJEU* tenders including both empirical scoring criteria, such as ‘Deliverability’, ‘Availability’, ‘Quality’ and in a separate category, ‘Price’. Here is a recent example:

Quality	25%
Roll-out	15%
Premises	15%
Price	45%

The method used to calculate the winning tender is simple: The cheapest provider is given 100% on Price, with the others rated as a % of that, so if you are 25% more costly, you score 100/125 or 80%.

The same is done for the other metrics, often with highly elaborate breakdowns of marks, that can go up to 600 in total. There is an illusion of measurability in all of this, which is pretty scary for some suppliers, although often it is not hard to see how to get (and lose) the marks.

Then the scores for V and P are compared with the best ratio winning the tender.

Our equation comes in very handy when advising clients at pitches who are concerned that they are ‘too expensive’. We ask them to look at the likely price

premium, and compare that with their quality premium.

Often clients think it is enough to be (say) 25% better in both. Unfortunately this just makes then the same value for money as a provider 25% cheaper with quality 25% worse. $V=Q/P$ shows this up very simply.

We instead ask that the value difference exceeds the price difference so that the comparison favours our team, thus:

Example A: (Lowest cost provider)
Quality = 1, Price = 1,
Therefore $V = 1$.

Example B: (Our client)
Quality = 1.5, Price = 1.25
Therefore $V = 1.2$.

The burden of proof now rests with our clients to show in a *compelling* way that $Q = 1.2 \times$ the *value* of the lowest cost provider, as the rest is just numbers. This is not easy, but at least it focuses on what is important, value vs. price.

All of the above is just an elaborate way of saying that we all want best value. But it is a good way of broadening out the thinking beyond an anxiety over having a slightly higher price, and instead putting the focus on value.

Or to paraphrase what one client of ours says, “*the most expensive product or service is the one that doesn’t work*”.

There has been some recent research at Yale University² into the behaviours of monkeys in value trials. Although they are mostly just as irrational as we humans, when it came to value experiments, they don’t fall for the old ‘*it costs more so it must be better routine*’. They did not assume as much as humans do that higher prices means better quality and instead should a high degree of rational behaviour.

So, I guess the question to you should be: Are you Man or Monkey?

Ewan Pearson

**Advice squeezed
straight from the
experts**



² Yale University study: *Capuchin monkeys do not show human-like pricing effects*; *Frontiers in Psychology*, November 2014 .

*OJEU: Official Journal of the European Union

Wielding words - the long and short of it



In all departments of a modern business the effective use of language is a potent tool for achieving your goals.

We often cite George Orwell's rules on language as an effective way of them avoiding impenetrable management talk. In his essay *Politics and the English Language* (originally published in 1946). Why would we do that? Orwell wrote¹:

1. **Never use a metaphor, simile or other figure of speech which you are used to seeing in print.**
2. **Never use a long word where a short one will do.**
3. **If it is possible to cut out a word, always cut it out.**
4. **Never use the passive where you can use the active.**
5. **Never use a foreign phrase, a scientific word or a jargon word if you can think of an everyday English equivalent.**
6. **Break any of these rules sooner than say anything outright barbarous.**

All well and good. But recently Will Self, also a novelist, made the bold claim² that Orwell was "*plain wrong*." Self argued that the variety in – and flexibility of – English offers users an enormous range of ways to express a huge number of ideas; he suggested that we shouldn't limit this capacity by sticking rigidly to Orwell's misguided mantra.

So where does this debate leave GPB's

firm. The text below is on their website:

*"The future belongs to those that challenge the present. Who continually drive to be more efficient and productive in the face of electrifying change. And tirelessly invest in innovation and transform their organisation to lead change. The future belongs to enterprises who keep challenging their business model and growth targets, and who relentlessly game-change."*³

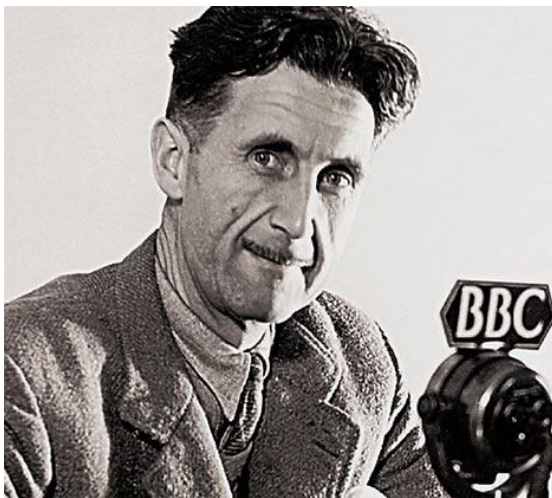
Self suggests that: "*There are more ways of saying more things in English than ever*"⁴. Yet, rather than demonstrate this, the above passage shows us many ways of saying exactly the same thing which can be summed up simply: "Be the best – always lead change".

The repetition is laborious. Adverbs such as "Continually", "tirelessly", "relentlessly", and even "keep (on)", do not add value by their excessive number. We are bombarded with the notion that we should do things differently: "Change", "innovation", "transform", "change" (again), "game-change" point to this again and again, but the terms become increasingly annoying as they persist.

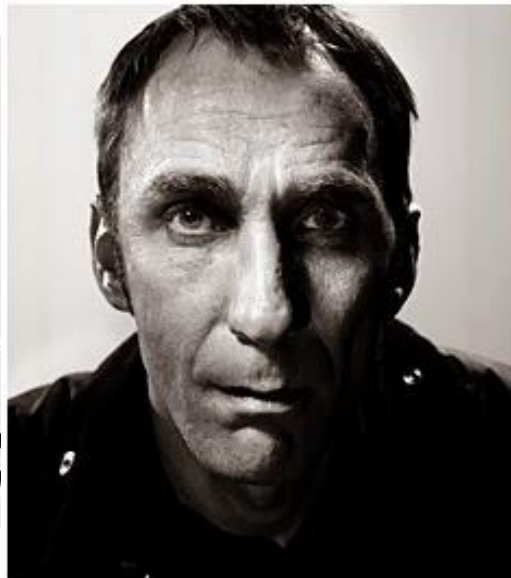


Richard Keith

Advice *squeezed* straight from the experts



George Orwell at the BBC in 1946



Will Self, sometimes now at the BBC

advice on avoiding business jargon?

Well, let's look at an example: Cognizant is a business and technology consulting

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Sources: ¹ Orwell, G, (2004) *Why I Write*, Penguin: London, p.119

^{2 & 4} <http://www.bbc.co.uk/news/magazine-28971276>

³ <http://www.cognizant.com/dualmandate>

⁵ Concise Oxford English Dictionary (11e), (2004), OUP: electronic version

Wielding words - the long and short of it... continued

Even the attempted hendiadys (a Rhetorical Tool): “*more efficient and productive*” is tautological, for if something is efficient it is by definition productive. A cooker that does not produce heat, for instance, is inefficient; a striker who does not produce goals is inefficient. Even the OED definition of “efficient” begins with the words “Working productively...”.

Being “more efficient” necessarily entails being “more productive” – you don’t need to waste readers’ time by saying it twice.

The Cognizant quote neither adheres to Orwell’s rules nor to Self’s beliefs. In consequence, their potential client learns nothing about what the company does or how it adds value.

‘Efficient’ is exactly what we recommend you aim for in your use of language: it should achieve maximum productivity with the minimum margin for misunderstanding or confusion.

There are many abstract ideas in business so your language must convey your ideas as precisely as possible.

Whether you are a CEO leading a company or a sales and marketing executive targeting clients directly, precision in your language avoids confusion and, accordingly, will save time.

But striving for precision doesn’t mean being terse. Ideally, language should be effective in its brevity, *but it must achieve this without sacrificing its precision.*

Sometimes you may need to add words – or use a longer one – to offer clarity. Once, in a previous job, I received an email out of the blue from a line manager saying, “*Please pick up the client’s files.*” Concise? Yes. Clear? No. Which client? From where? To where? By when?

Try to ensure that you have the necessary details – sometimes you do have to elaborate on a pithy statement or request.

Reading Orwell carefully you see that he doesn’t necessarily discourage you from longer vocabulary and syntax. He says, “Never use a long word *where a short one*

will do” and “*If it is possible* to cut out a word, always cut it out”. These italics (mine) show that he was quite aware that there are instances when longer words are needed and judicious editing is unwanted.

Elaboration for precision may add huge value at times. If, in a business pitch, you make a particular claim about the service your company provides you should add a specific example to ensure clients understand exactly the benefits of what you are offering. E.g. If your fund management philosophy is highly complex, then you may find adding an analogy or simile (also Rhetorical Tools) will make it easier to understand the advantages of your methods.

Language is a powerful tool, so its effect should not be underestimated. Rudyard Kipling called words, “*the most powerful drug used by mankind.*”

Acclaimed cognitive scientist Steven Pinker, who was recently interviewed in London’s City AM newspaper on how to banish business jargon, states⁶: “*Good writing can flip the way the world is perceived*”. Wouldn’t “flipping the way the world is perceived” be a fantastic ability to have, be it at a sales meeting or in a speech?

Much of our work is spent helping clients avoid abstract management speak, by adding simplicity and directness. Saying what is necessary in the most effective way often involves stripping away words.

Yet, the golden rule is *say what you mean as appropriate to your audience.* Use language to express rather than to impress.

If you use a phrase like “I want to *expatiate* on...” rather than “Let me *elaborate* on...”, you must have a good reason for using it, and you must have a good idea of the effect it will have on your audience.

If you don’t know exactly what a word means, you should not use it – even if everyone else does. Finally, you work hard, so your words should too; therefore, keep in mind one more essential motto: “Words, be effective!”

Richard Keith

Advice *squeezed*
straight from the
experts



⁶Pinker, S, (2014), The Sense of Style: The Thinking Person’s Guide to Writing in the 21st Century, Penguin: London, p.14.

Two Routes to Persuasion - Richard Petty and John Cacioppo

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We know that a successful presentation can be measured under two headings. First, did the audience understand and remember the key points of a message? Second, were they convinced by the personality of the speaker?

Putting this another way, was the act of persuasion successful because of the very well-argued message, or a convincing performance by the speaker? Or of course a combination of the two.

Two American Professors have added a more scientific view of message and personality. Back in the 1970s Professors Petty and Cacioppo (P&C) developed The **Elaboration Likelihood Model (ELM)** of persuasion. This proposes two major routes to persuasion: the **Central Route** and the **Peripheral Route**.

Central Route

P&C say of this route: *'Under the Central Route, persuasion will likely result from a person's careful and thoughtful consideration of the true merits of the information presented in support of an advocacy.'*

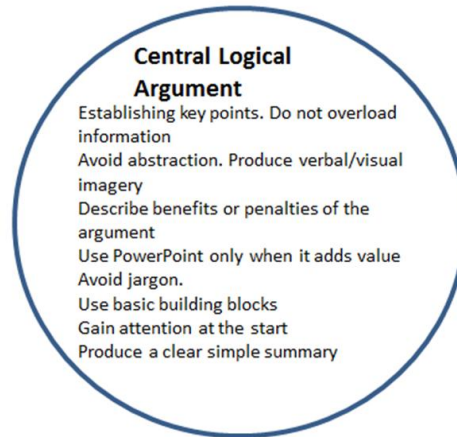
I'll put it more simply: A clear and well argued message is more persuasive. An example might be Alastair Darling's largely unemotive but logical arguments for why Scotland should stay in the Union.

But P&C have more to say: They argue that for the Central Route to succeed there are two important hurdles to jump: **First** the listener has to be **motivated** to listen to what is being said, to process information that might be complex. **Second** the listener has to have the **ability** from their existing knowledge to understand what is being said.

P&C go on to say that if the Central Route is successful, then the effects will be more firmly lodged for a longer period than the Peripheral Route.

They also found that a lack of ability to understand *or* a lack of motivation means that the listener will make a judgment based on peripheral factors such as the attractiveness of the speaker.

Ability to understand: This is easy enough to analyse under the Central Path, by ticking off what should be happening in the inner circle:



Motivation to listen: If the listener is hearing a presentation that is not relevant to them then motivation to listen may take a hit. It may be that the subject is something they dislike, so again motivation may not be there. It's here that the skill of explaining the message in an interesting and appealing way can really make a difference.

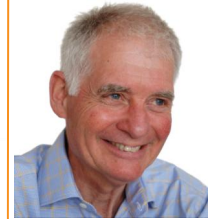
I can identify presentations that I was motivated to listen to, but the Central Route failed because the content was too hard to understand.

Peripheral Route

Here, P&C say that *"persuasion results from a person's association with positive or negative cues in the stimulus, or from making a simple inference about the merits of the advocated position. The cues received by the individual under the Peripheral Route are generally unrelated to the logical quality of the stimulus. These cues will involve factors such as the credibility or attractiveness of the sources of the message, or the production quality of the message."*

More simply put, the listener may be persuaded by a personality delivering in an attractive way; if the Central Route is not available, you do have a second chance to persuade by scoring well via the Peripheral Route.

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Alastair Grant

Advice *squeezed*
straight from the
experts



Two Routes to Persuasion ... continued

Here it is your personality that will become the key factor. This includes how the persuader uses their voice, or their body language and so transmits a level of conviction and passion that persuades.

Gordon Brown scored highly in that area just before September's Scottish Independence referendum vote. Some argue that his passion had a significant effect on shifting the opinions of the undecided towards support for the Union.

We can divide this route between vocal and visual (non-verbal) communication. Let's look at each in turn:

Vocal Communication

Characteristics of a persuasive voice:

- Deep pitched, and so not anxious
- Well-modulated up and down in pitch. Good radio presenters do this well.
- The correct pitch modulation. E.g. falling pitch as you finish an idea
- Fluency. This means not hesitating, no umms and errs, or empty filler words such as 'like', 'you know', and 'at this moment in time'
- Good articulation; easy to understand.

Non-Verbal Communication

- Use of hands to emphasise key points, or amplify the verbal descriptions
- Eyes that look at the audience the right amount of time - i.e. more than half
- A face that matches the verbal sentiment - i.e. congruent. E.g. an area of concern should not be put over with a cheesy grin.

Have it both ways

If you can, you would want to be good at both routes.

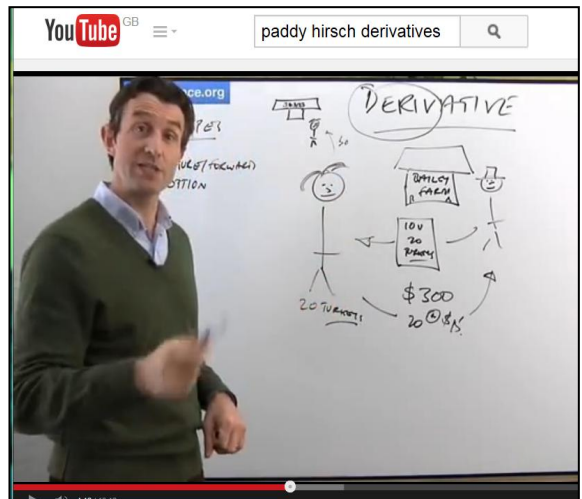
There was a subject recently about which I had little interest which came alive when it was explained by a gifted speaker.

This speaker is Paddy Hirsch. Type his name into YouTube and you will see him explaining all kinds of financial matters with great clarity and simplicity.

His success is also achieved by peripheral

brilliance. He has an engaging chatty style and delivers with unbounded enthusiasm and energy.

I believe that Paddy's success lies in his combined excellence in both routes. He explains a complex subject such as derivatives and hedge funds with great clarity.



Paddy Hirsch doing his stuff on YouTube

His videos start with a simple model which should be understood by a ten year old. At this stage he's possibly too slow, but quite quickly he adds layers to the information, and we can follow it because he progresses carefully from the foundation he started with.

This is a simple and superficial explanation of Petty and Cacioppo's **ELM Theory**.

If you have a challenge in presenting to an audience who are not motivated and find your subject hard to understand - their judgment will be significantly more based on how they judge your performance.

But if you have the gift of being able to structure your message with clarity then they will be more motivated to listen and the long term effects more substantial.

Alastair Grant



The perils of miscommunication



K2 holds a unique allure for mountaineers. It is seen as the 'climbers' mountain and offers challenges like no other, testing all who attempt her to their limit and beyond.

The two main risks on summiting are time spent in the 'death zone' and risk of avalanches, both of which are maximized on K2 to create a haunting statistic: For every four people who have successfully got up to the top of the mountain, one has not come back.

On August 1st 2008, K2 experienced its worst disaster when 11 climbers died; the news profoundly shocked the world.

The shock was two-fold: how can so many experienced climbers die in one day, and what the hell happened?

To understand what happened some context is needed...

Firstly, these mountaineers were some of the most experienced and meticulous people you could imagine. While they took risks, they rarely took uncalculated ones and always planned their up and down routes down to the last detail.

Secondly, they had perfect weather for summiting that day, and had clear routes up and down.

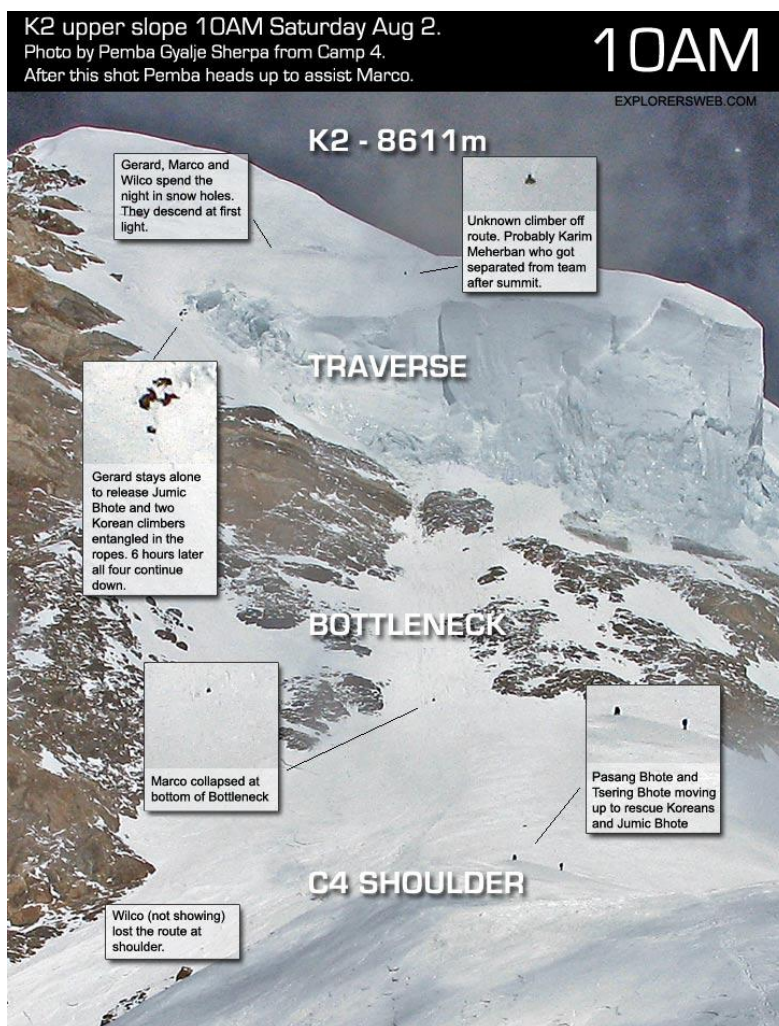
Thirdly, high-altitude mountain climbers by nature are inherently selfish and insular. They have complete faith in their own abilities but are less trusting of others unless they have first-hand experience of them.

So, what went wrong?

According to Wilco van Rooijen, a Dutch climber who survived that day, the key problem came down to poor communication between the climbing teams. And since there were five separate teams who chose to summit that

day it meant they had to co-operate to be successful. On K2 there is only one route up and down and it involves fine margins of timing and movement.

You are dependent on others to maintain their pace, because when bottlenecks happen in the 'death zone' people die. And K2 has the most famous bottleneck in mountaineering where a small change in pace can cause climbers to be overly exposed to the dangers of the death-zone and avalanches just below the summit. Somewhat ironically, if there is one thing high-altitude climbers dislike it is relying on others – even if they often have to.



The infamous bottleneck on K2, showing the positions where climbers were on 2 Aug 2008

Advice *squeezed* straight from the experts



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The perils of miscommunication ... continued

Unfortunately, this also can make them poor communicators. The first fatal mistake made that day was by one of the teams, the South Koreans and the slowest, decided to head out in front of the other teams without telling them.

There had been an agreement amongst all teams to leave at first light on the 1st August – however no decision had been made on *who* should go first. The Koreans in their quest for glory had set in place a chain reaction that would seal the fate of 11 climbers including themselves.

The consequence of this meant that the other climbers were forced to spend more time in the ‘death zone’ (over 7500m where a lack of oxygen causes the body to shut down); they began to suffer severe faults in their decision-making.

A series of other more predictable errors, compounded by some bad luck, followed.

‘Summit fever’, the over-riding desire to reach the top at the risk of dying, started taking over. This is a well-known condition amongst elite climbers, using time and oxygen alarms to inform that their judgment has gone.

It is rare for an entire group to suffer from this condition but on this day, several climbers succumbed to it at once and spent too long collectively enjoying the view on the summit before descending.

So, by the time the climbers started to descend the mountain most of those who died were already dead but didn’t know it.

More errors, followed by oxygen starvation, were compounded by some bad luck.

One Serbian climber uncharacteristically slipped. Another went after him to help him and perished too.

The exhausted Koreans then took a prolonged rest in the death zone, which duly sealed their fate.

Having sat down to rest, the lack of oxygen was not helping them recover and they started to atrophy and fall asleep.

The other climbers descended, bypassing the Koreans, but 6 others were unable to avoid a series of ice falls from seracs (ice overhangs from glaciers that can easily break off causing avalanches) which swept them away. Most tellingly, all the climbers who perished did so above or below the infamous ‘bottleneck’ shown in the picture on page 7.

This story seems to have little to offer those of us who stay down mountains inhabiting the business world instead.

So, what is the parallel here and what are the big lessons here for the rest of us?

Well, there are many things to be learnt about the consequence of this sort of miscommunication – and certainly it’s worth remembering that small decisions can have unpredictable impacts.

The primary lesson is the need for co-ordinated communication between humans; even those in separate teams this overrules the more selfish motives.

I also think there’s a clear lesson here in realising how interconnected we all really are, and we just don’t know it.

But perhaps the most poignant lesson is in our inherently selfish nature in our daily quest for glory. While the quest for glory is admirable, just remember it can sometimes make us forget our duty of care for others.

Tim Farish

Our Services

Grant Pearson Brown Consulting Ltd is a respected adviser based in London. We enhance the performance of businesses, helping clients to excel in the use of the spoken and written word, improving the performance of individuals and teams. Over the long term our work improves the way a firm does business.

We coach and advise individuals to perform at their best in the toughest situations including: Presentations, New Business Pitches, Business Development, Negotiating, Media Interviews, Telephone Calls and Document Writing.

We also produce scientific voice, visual and content analysis reports, which are unique to GPB. We then provide voice and visual coaching, and content advice.

Our clients’ needs are the only focus of our work; we listen to them and closely tailor our response to deliver first class coaching and advice. In support of this we selectively pursue new ideas and approaches, continually hone our advice and create tools such as Voice, Visual and Content Analysis, Prospect Relationship Management (PRM) and the Information Iceberg.



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