



BY IAN MACLEOD

# Leaders are Storytellers

**What is a business but large numbers of people interacting dynamically on the basis of a shared story?**

“Fiction has enabled us not merely to imagine things,” says academic and author Yuval Noah Harari in his bestseller *Sapiens: A Brief History of Humankind*, “but to do so collectively. Such myths give sapiens the unprecedented flexibility in large numbers. Ants and bees can also work together in huge numbers, but they do so in a very rigid manner and only with close relatives... only sapiens can talk about entire kinds of entities that they have never seen, touched, or smelled.”

Harari concludes, “Sapiens can cooperate in extremely flexible ways with countless numbers of strangers. That’s why sapiens rule the world.”

While Harari’s words describe multiple spheres of life, they undeniably describe a business. After all, what is a business but large numbers of people interacting dynamically on the basis of a shared story?

General Motors and Samsung and Standard Bank exist as businesses not because of any physical manifestations – although the cars, devices, and office buildings help – but because of a common, intangible existence in our minds. A story.

It follows that leadership is the ability to manage a story. Good leaders tell compelling stories.

## The evidence

Strong research-based evidence of the power of stories in business comes from Prof. David Tuckett of University College London. Trained in psychotherapy, Tuckett went on to apply his skills to finance. His core question: how do people make decisions in the face of a highly uncertain business landscape?

Following interviews with 50 major hedge fund investors, Tuckett and his team believed they had got to the core of the answer. Asking each participant to explain how he or she decided that a company was worth investing in, each gave an array of answers, which Tuckett unpacks in his book, *Minding the Markets: An Emotional Finance View of Financial Instability*. The specifics varied widely. But there was one universal: stories.

Each investor not only told stories, but captured businesses as stories. As Tuckett explains, “The essence of financial markets is that people try to imagine what will happen in the future.” Indeed. Companies are valuable because of what they will do in years to come. However, we don’t know what they will do in the future. That is why we use our experience, available information and our emotions. We picture a story about the future.

This is not to suggest we are irrational. Rather, we use stories because they are highly efficient. “We have emotions to help us make decisions, not to make it more difficult,” [explains](#) Tuckett. If we were to try to analyse all of the data on any company and make business decisions based purely on data, we would never finish. There is too much data and we lack the computational power to make sense of it all.

## Narrative and numbers

It is important to clarify that narratives don’t exist alone. Narratives are only useful when based on good numbers. The man who literally wrote the book on this is the so-called “Jedi of valuations”, Prof. Aswath Damodaran of the New York University Stern School of Business. The author of *Narrative and Numbers: The Value of Stories in Business* is a self-confessed numbers guy, trained in accounting, who only welcomed the power of story with much internal resistance.

Damodaran’s pithy summary in a [speech](#) for the CFA Society of Switzerland: “If all you have is a collection of numbers, you don’t have a valuation, you have a spreadsheet... A good valuation is a bridge between stories and numbers.” He demands of his MBA students that when they produce valuations, “every number has a story attached to it and every story has a number attached to it.”

Damodaran’s approach to teaching valuation is simple. If you value a stock at \$6 billion, you need an overarching story as to how that company’s future justifies the current valuation. Additionally, every number you use in the valuation should have a plausible story that justifies it.

Tuckett’s thinking mirrors this: “To understand the way financial assets are valued we must realise that, in essence, what is being traded are stories – competing imaginative accounts about the news and its impact on an uncertain future.”

## Applying the storytelling brain

How does this help today’s business leaders to foster more human-centric environments? The good news is that you are already a natural storyteller. Our brains are hard-wired that way. Homo narratus uses story as a powerful shorthand. As the appropriately named [Will Storr](#), author of *The Science of Storytelling*, puts it in his book, “Story is what brain does.” With some guidance, we can all be effective storytellers.

Let’s start at the beginning. Your opening line in every speech, memo and financial overview should tell us that an interesting story lies ahead. In Storr’s words, it should be “pregnant with the threat of change”.

Consider the great opening lines of books. “It was a bright cold day in April, and the clocks were striking thirteen,” is how George Orwell opened *1984*. Immediately, we know there is a story to explain why a clock has struck 13. In *Charlotte’s Web* by E.B. White, we are abruptly faced with the question: “Where’s Papa going with that axe?” Where indeed!

**Good leaders tell compelling stories.**



In his paper [The Psychology of Curiosity](#) George Loewenstein offers four powerful ways to induce curiosity with an opening line:

- Pose a question or present a puzzle
- Expose the reader to a sequence of events with an anticipated by unknown resolution
- Violate expectations to trigger the want for an explanation
- Show knowledge is possessed by someone else

This opening threat of change then needs to play out with an effective arc. A plot. There is a reason that most films are essentially remakes of a small number of tried-and-tested narrative arcs. They work. Your business story should follow an established structure.

## ‘The essence of financial markets is that people try to imagine what will happen in the future.’

Perhaps it is the classic “rise, fall, rise” as per *Cinderella* if that is appropriate. The “journey and return” is as applicable to *The Lion King* as it is to *Hamlet* as it is to, say, Steve Jobs coming back to Apple in the late 1990s after the co-founder’s ousting.

Don’t force it. Authenticity is one of the most valuable assets not on your balance sheet. The story arc must genuinely apply. However, it is very hard to think of a business that isn’t sitting at a critical phase of an established narrative arc.

As a handy rule of thumb, ensuring your story has a beginning, middle and end is usually more than enough. More complex constructions can work, but the beauty of story lies in simplicity.

Let’s add another rule: show, don’t tell. We don’t mind lists of facts. But they don’t grip us. Think of the way Charles Dickens would never tell you, in *David Copperfield*, that Mr. Murdstone is harsh. He described his face, his clothes, and his voice.

Critically, all of these tools should be applied within something far bigger.

Neuroeconomist and professor at Claremont Graduate University in Southern California Paul J. Zak explains in his *Harvard Business Review* piece, *Why Your Brain Loves Good Storytelling*<sup>1</sup>: “Your organisation has its own story – its founding myth,” he says. “What passion led the founder(s) to risk health and wealth to start the enterprise? Why was it so important, and what barriers had to be overcome?”

Zak goes on, “These are the stories that, repeated over and over, stay true to the organisation’s DNA. They provide guidance for daily decision-making as well as the motivation that comes with the conviction that the organisation’s work must go on, and needs everyone’s full engagement to make a difference in people’s lives.”

As he suggests, every business has a hero’s journey. Founding and running a company can’t be done without Herculean efforts. Great battles overcome. Champions. Villains. Dramatic twists and turns.

Individual stories about your business and why it is valuable should pay homage to this larger story. Your annual results presentation falls within this powerful context. You are there not because of the last year alone. But because of innumerable human journeys all made possible by an overarching tale.

Someone dropped out of university with an idea and a vision. Maybe a young man saddled himself with debt and travelled the country with prototype products in the boot of his car. Perhaps

a single mother held down two jobs while building a website in her kitchen. Whatever your signature story is, it still matters and always will.

Zak concludes, “When you want to motivate, persuade, or be remembered, start with a story of human struggle and eventual triumph. It will capture people’s hearts – by first attracting their brains.”

### Caveat storyteller

As many timeless tales remind us, with great power comes great responsibility. The power of storytelling is frequently harnessed for the worst kind of business leadership. History is replete with examples of untrue stories becoming so powerful that business fundamentals were ignored to the great peril of investors.

Consider the extreme case of Theranos. Founder Elizabeth Holmes spun a story that no sensible investor would have believed, unless overtaken by the power of story. Holmes claimed her “minilab” mobile blood-testing machine could perform all manner of complex tests hitherto only possible by sending samples off to advanced laboratories.

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Any investor who cared to inspect the fundamentals would have quickly determined that this was not the case. However, the story was too good. It went something like, “Blue-eyed Stanford University dropout invents biotech product of the century to become youngest and wealthiest self-made female billionaire in the United States.”

This intoxicating narrative earned her stage appearances alongside the likes of Bill Clinton and former CEO of Alibaba Jack Ma. Moreover, it attracted investments from the likes of media mogul Rupert Murdoch, telecoms magnate Carlos Slim and Walmart’s founding family, the Waltons.

Theranos’ notional valuation of \$9 billion at one stage was a tall story. Holmes, for her part, is currently in a federal prison.

In a world increasingly driven by data, devices, and artificial intelligence, leaders who stand out and prosper will do so with human intelligence. They will make sense of business and unite people with purpose by telling real, compelling stories. **GIBS**

### References

<sup>1</sup>Harvard Business Review. [Why Your Brain Loves Good Storytelling \(hbr.org\)](https://hbr.org)