HEALTHY WORK BOUNDARIES • THE POWER OF NETWORKS • SUSTAINING THE FAMILY BUSINESS

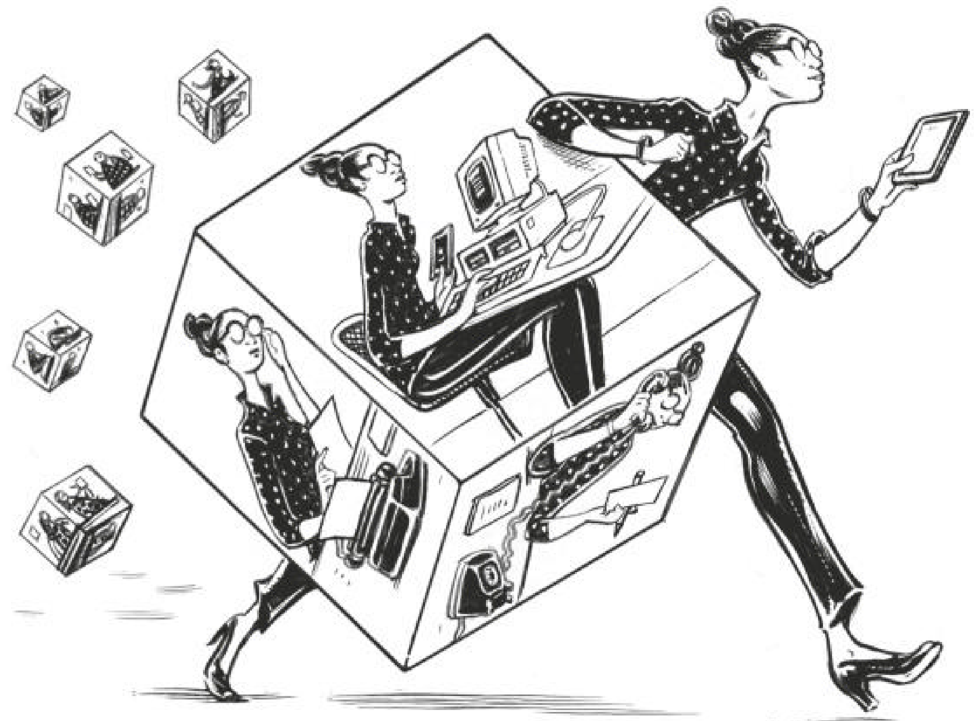
strategy+business

CHARTING YOUR *WORKFORCE STRATEGY*

Summer 2022 $12.95
Display until September 6, 2022

www.strategy-business.com

pwc | strategy&



Working in new ways

The way that we're working is changing, and I'm not just talking about learning how to add cool Zoom backgrounds. Rather, the way we think about what work means, and how to maintain balance and health while doing it, is a hot topic of conversation. The pandemic has a lot to do with this reassessment. But so, too, do forces such as technology, globalization, and evolving consumer habits.

At work, disruptions and innovations tend to pile up ceaselessly (fax, email, conference calls, the web, remote work) and people adjust on the fly. But the organizational contexts in which people operate—the ways we organize, and the bureaucracies and systems we set up to get the work done—tend to evolve much more slowly.

It's incumbent upon us, as leaders and readers, to get ahead of systemic changes. Our cover story by Bhushan Sethi, Blair Sheppard, and Nicole Wakefield of PwC, "Meet the four forces shaping your workforce strategy" (page 32), provides a compelling guide to resetting priorities. In one of our periodic excerpts from conversations with CEOs ("Navigating the new world of work," page 42), leaders from fields as diverse as aviation and advertising weigh in on the manifold work and talent issues they face.

The disruptions to the physical workplace have highlighted the importance of the human connections that people make on the job. In an excerpt from her new book, *Redesigning Work*, Lynda Gratton of the London Business School delves into the importance of the weak and strong ties formed between colleagues—and how they can influence innovation ("Maintaining network connections," page 50). Elsewhere, clinical psychologist Dana Gionta and Liz Sweigart, a former PwC principal, note the importance of establishing psychological boundaries ("How healthy boundaries build trust in the workplace," page 20).

Climate change is one of the forces creating an urgent need for change in the way we live and work. In our Thought Leader interview (page 66), author Elizabeth Kolbert argues that for all the obstacles we face, the reservoirs of human ingenuity are sufficiently deep that they may potentially power meaningful progress.

Change is afoot in the way we work here at *strategy+business*, too. From the time the first issue appeared, in 1995, we have chronicled disruptions and energetically participated in them—launching a website, a digital edition, and a social media presence—always striving to meet our readers where they are. But we're mindful of our environmental footprint and eager to connect more directly and urgently in the fast-changing world.

This 107th issue of *s+b* will be the last quarterly print issue. We're going to be picking up the pace. And we're deploying our editorial resources and ingenuity to create the successor: a new, free, all-digital publication that will continue to deliver the essential business perspectives our readers have come to expect. You can sign up to receive each new digital issue of *strategy+business* directly to your inbox by visiting strategy-business.com/alldigital.

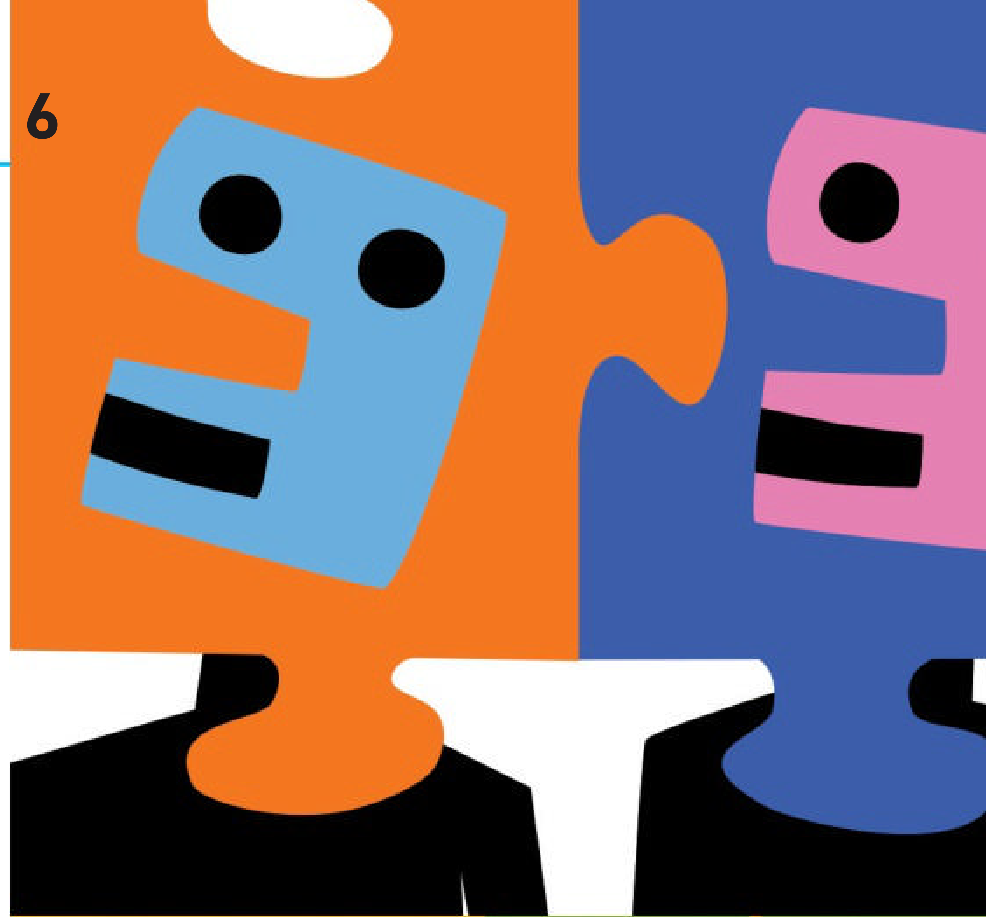
It all means more timely insights, delivered more frequently and efficiently. And we can't wait to get to work.

Daniel Gross
Editor-in-Chief

Illustration by Lars Leetaru

leading ideas

essays



features

Cover illustration by Miguel Montaner

strategy+business
Issue 107, Summer 2022

strategy+business

Published by PwC

**Scan this QR code
to get the *s+b* iPad app.**

**Editorial and
Business Offices**
strategy+business
300 Madison Avenue
Attn: Natasha Andre
New York, NY 10017
Tel: +1 212 551 6222
info@strategy-
business.com

Design Services
Opto Design Inc.
150 W. 28th Street, 704
New York, NY 10001
Tel: +1 212 254 4470
info@optodesign.com

Retail
Accelerate 360
Customer Service
Tel: +1 770 863 9000

Back Issues
Tel: +1 845 267 3490

Permissions
www.strategy-
business.com/press/
permissions-faqs

**Subscriber
Customer Services**
Tel: +1 845 267 3490
Outside the U.S.,
+1 845 450 5210

strategy-business@
cambeywest.com

www.strategy-
business.com/
subscribe

strategy+business
P.O. Box 255
Congers, NY 10920

Leading Ideas

Leaders should revisit the works of three corporate culture pioneers

A trio of 20th-century thinkers yields insights into how to align culture with strategy and energize employees today.

by Jon Katzenbach and Carolyn Black

As consultants, we've been working in the world of corporate culture much longer than it has been popular to do so. Over the past ten years, culture has become a regular topic of discussion among leaders, and writing on the topic has exploded. And yet, even with these new and sometimes very insightful voices to draw from, we find ourselves repeating the wisdom of three 20th-century thinkers: Leon Festinger, Frederick Herzberg, and Daniel Goleman.

We assure you, we're not just stuck on "the oldies." Rather, we're pointing you to classics. These authors put forward clear, pragmatic insights that have stood the test of time. Used together, these ideas help form a foundation for successful cultural alignment and evolution. Simply put, these "oldies" are goodies that have worked for decades—and still do.

So, who are these folks, and how is what they said years ago still relevant today?

Leon Festinger

Festinger (1919–89) was an American psychologist and professor at the Massachusetts Institute of Technology and the University of Michigan, who was best known for developing the theory of cognitive dissonance in the 1950s.

What he said: Festinger's theory proposes that a mismatch between beliefs and behaviors causes psychological tension (i.e., cognitive dissonance). In other words, if you believe a certain thing, but your actions do not line up with that belief, you will feel uneasy until you modify either your beliefs or your actions (or both). In contrast, acting in accordance with your beliefs achieves resonance, or positive feelings about what you are doing.

Why his ideas are still relevant: Understanding Festinger's theory and ensuring that words and actions align gives leaders the metaphorical grease for motivating employees. For instance, organizations today have caught on to the idea of energizing employees around a shared purpose or mission. But for employees to sustain energy for any change related to that mission, leaders need to ensure employees can *act out* the promise of the mission. If words and actions cannot align, it will dampen the impact of the company's message and breed discontent. PwC's Global Culture Survey 2021 identifies the negative impact of a disconnect between what organizations say about culture and what employees experience. For example, a financial institution that touts its customer-centricity but doesn't give its call center workers the latitude to forgive a late fee for loyal customers yields frustrated, dissatisfied employees *and* customers.

Making the necessary changes to align your culture with your business goals is gradual work. Sometimes finding behaviors that resonate with existing mindsets but nonetheless move the organization in a new, desired direction can create powerful momentum. We often work in an iterative dance, starting with behaviors, then coming back to mindsets.

Frederick Herzberg

Herzberg (1923–2000), another American psychologist, taught at Case Western Reserve University and the University of Utah. He became one of the most influential figures in management thinking, and is best known for developing the concept of job enrichment and for the motivator hygiene theory, developed in 1964.

What he said: The most important motivator is the work itself! Herzberg demonstrated that motivation—the drive to perform and achieve—lies not in external drivers (whether incentives or punishments), but instead in making the actual work itself more satisfying.

Why his ideas are still relevant: In a time when many employers are trying to figure out what combination of perks, pay, and purpose will help them combat the "great resignation," many are overlooking Herzberg's simple message: it's not all that stuff but the work itself—and employees' emotional connection to it—that drives employees.

According to Herzberg, the key to motivating workers is enriching their jobs by giving them enough responsibility, control, and data to facilitate growth and "play," or experimentation. Today's leaders and managers should ask themselves: Do employees have a view of and control over their work, from inputs to impact? Can they take on new but surmountable challenges? Is there room for them to make mistakes? Is there an opportunity for feedback that can inform more experimentation? The people one works with also have a significant impact on employees' feelings toward the work (just as much as, if not more than, the person one works for). This is because of the contagious effect of how others feel about the work.

Great, one might say—if leaders could ensure mindsets and actions line up (Festinger) and enrich each employee's job (Herzberg), they could unlock immense stores of positive energy for the organization. But how can any large entity do this? That's where Daniel Goleman comes in.

Motivation—the drive to perform and achieve—lies not in external drivers, but instead in making the actual work itself more satisfying.

Daniel Goleman

A longtime *New York Times* science journalist and the author of numerous books, Goleman, born in 1946, is most celebrated for his groundbreaking work on "emotional intelligence," detailed in his 1995 book of the same name and in many subsequent works.

What he said: Goleman identified that, contrary to what was then the popular belief, traditional intelligence, or IQ, cannot fully explain an individual's success and impact. Rather, a critical determinant of success lies in what Goleman termed emotional intelligence, or EQ. He defined EQ abilities across five categories: self-awareness, self-regulation, motivation, empathy, and social skill. He provided tools for how to identify individuals with superior EQ. He also pointed out that organizations not only fail to prioritize these characteristics in hiring and promotion, but often unwittingly screen against them. Goleman didn't argue against the value of data-driven analysis and rational influence. Instead, he called to light the still

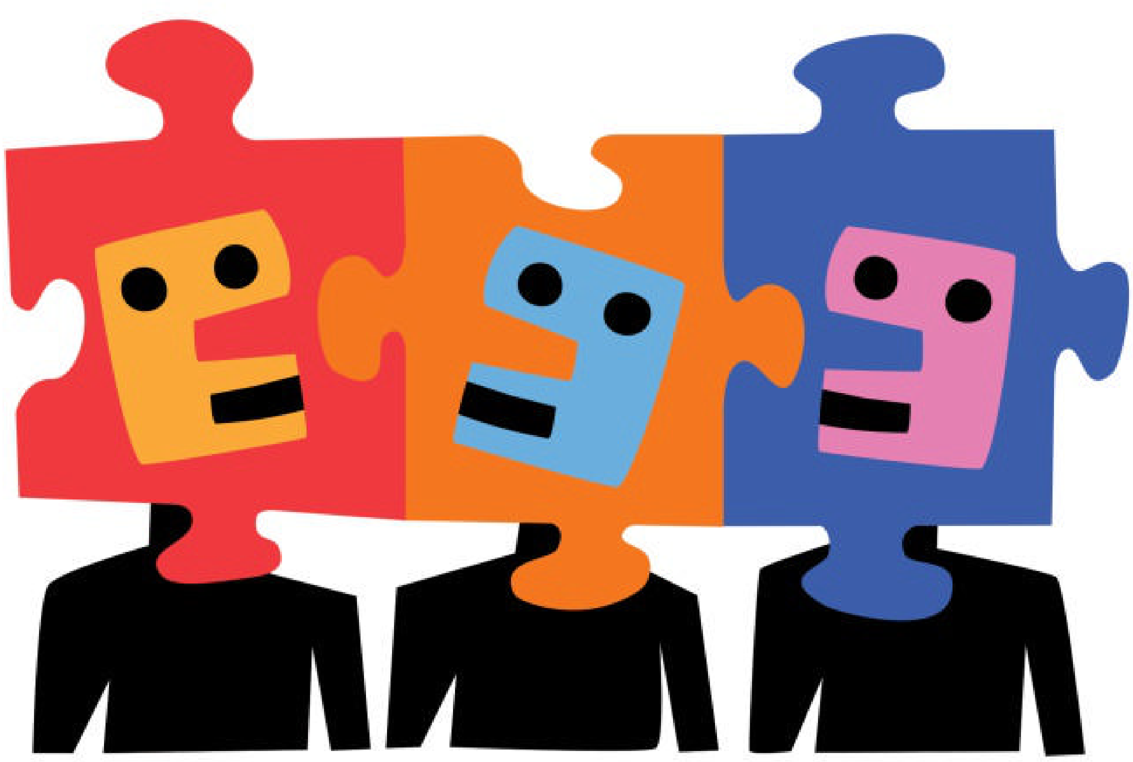


Illustration by Lasse Skarbövik

overlooked emotional side of management and success.

Why his ideas are still relevant: Many leaders are overlooking the people most critical to their organization's success. Many organizations do now consider EQ, particularly in hiring. But they inadvertently filter against it. Self-awareness (candor) is often seen as highlighting weakness, self-regulation (restraint) is often seen as lack of passion, and empathy (awareness of others' feelings) is often seen as an inability to make hard decisions. Promotions are most often based on people's performance in their current roles as opposed to demonstrated capabilities for the management roles they might step into.

But emotionally intelligent people, whom we at PwC's Katzenbach Center call authentic informal leaders, or AILs, are the key to putting the concepts of Festinger and Herzberg into action at scale. AILs undoubtedly exist throughout your organization, at all levels and in all departments. You can find them through simple surveys, crowd-sourced nominations, and interviews. When working with clients, we sometimes use organizational network analysis, which allows companies to construct maps of complex internal social relations using email and instant message statistics, as well as meeting records. On the most basic level, you can simply ask employees, "Who do you look to within the organization when you are having a problem?" Patterns will emerge.

Finding AILs is at the heart of our work. They have an innate understanding of Festinger's and Herzberg's theories and a knack for applying them. They help identify behaviors that align with an organization's objectives and beliefs, and they help employees and peers construct fulfilling roles. It's through AILs' insights and way of being that we unlock resonance and self-sustaining motivation within an organization—and ultimately drive transformation.

Putting it all together

Understanding the ways in which the work of Festinger, Herzberg, and Goleman overlaps is critical to achieving the high-performing cultures that organizations now finally see as so important to their success. It takes first realizing the power of what Festinger and Herzberg detail, then seeing that you need the type of help Goleman describes to implement those ideas.

These three authors, read together, provide an understanding of why successful cultural interventions work. But they also give achievable, time-tested strategies for how to get started on your own cultural transformation. Armed with this knowledge, you can drive dramatic change. Begin with a pilot. Pick one team or department and give it a try! +

Jon Katzenbach
jon.katzenbach@pwc.com
is an advisor to executives for Strategy&, PwC's strategy consulting group. He is a managing director with PwC US, based in New York, and founder of the Katzenbach Center, Strategy&'s global institute on organizational culture and leadership. His books on organizational culture, leadership, and teaming include *The Wisdom of Teams: Creating the High-Performance Organization* (with Douglas K. Smith) and *The Critical Few: Energize Your Company's Culture by Choosing What Really Matters* (with James Thomas and Gretchen Anderson).

Carolyn Black
carolynalicedaly@gmail.com
is an independent consultant and executive coach based in New York. She has worked closely with Jon Katzenbach and the Katzenbach Center since 2016.

Why human resources chiefs are reaching the corner office

The ability to manage people at scale is more relevant than ever to the CEO role.

by James Ashton

The sharp focus placed on the people agenda over the last two years has also put a spotlight on those who lead the human resources function within major companies. During the pandemic, many chief human resources officers (CHROs) were lauded for taking broader management responsibility when staff safety and remote working quickly forced changes to strategy and outlook.

So it should come as no surprise that those leaders are now being propelled to new heights. In December 2021, Leena Nair, Unilever's CHRO, was named as the next leader of Chanel, swapping Dove soap and Magnum ice cream for suits, luxury handbags, and perfumes. A month later, the 2,000 employee–strong UK sandwich chain Greggs announced that Roisin Currie, for many years its group people director, would become CEO in May 2022. And before both, Anne Jessopp led the way in 2018, when she was named CEO at the UK's Royal Mint after having joined as human resources director in 2008 and then adding business services responsibilities to her CV.

These are examples of a leadership trend that has been a long time coming. Predictions that CHROs—once mere human resources directors—could be the CEOs of the future began to appear as HR executives took on more roles within organizations, and have been around for most of the last decade. A 2014 study by University of Michigan professor Dave Ulrich and Ellie Filler, a Korn Ferry headhunter, found that CEO traits were more similar to those of CHROs than to the traits of other lieutenants (with the exception of the COO, whose responsibilities are often shared with those of the CEO).

But back then, the authors did not foresee a path to the CEO role for HR lifers. They thought success was far more likely for those who had broad managerial experience that also happened to include some time running the people function. That was the way it used to be. The best example was Mary Barra, who became CEO of General Motors in 2014. An engineer by training, she worked her way up GM's operations side before serving for two years as vice president for global human resources and then holding senior posts in product development. HR for her was more like a tour of duty on the way to leadership of the Chevrolet-to-Cadillac automaker.

Today, in light of the high turnover rates facing so many organizations, CEOs need HR experience more than ever. Before the pandemic, CEOs could look to the workplace review site Glassdoor, where outspoken staff commented on the boss's actions, for assessments of their performance. More often than not, these report cards did not make a difference. But given the demand for ongoing flexible working, the "great resignation," and the scramble for talent, staff are speaking up within their organizations and expecting to be treated as customers.

CEOs need to listen. The responsibilities placed on leaders are evolving. The soft skills associated with the human resources department now must flow right to the top, not just as a sign of the times, but because they can drive transformation, too. HR has long attracted women to its ranks, and now, with diversity and inclusion initiatives high on corporate agendas, this has resulted in more women being considered for leadership roles. The exigencies of the pandemic have also elevated the importance of the HR role.

The soft skills associated with the human resources department now must flow right to the top because they can drive transformation, too.

This increased focus on people has taken place in tandem with changes to the human resources function. No longer is it simply a cost center or supporting function, a poor cousin to a company's income-generating units.

During the pandemic lockdowns, it was HR that provided a vital line of sight horizontally across the organization. Helped by increased digitization, the function has a mission of its own to create value for the wider enterprise by boosting skills and culture, and engaging in long-term planning. As noted in a recent report by Strategy&, PwC's strategy consulting business, human resources managers today "must be able to translate business strategy into human capital strategy and talent requirements, leverage data-driven insights to advise business leaders on how to boost

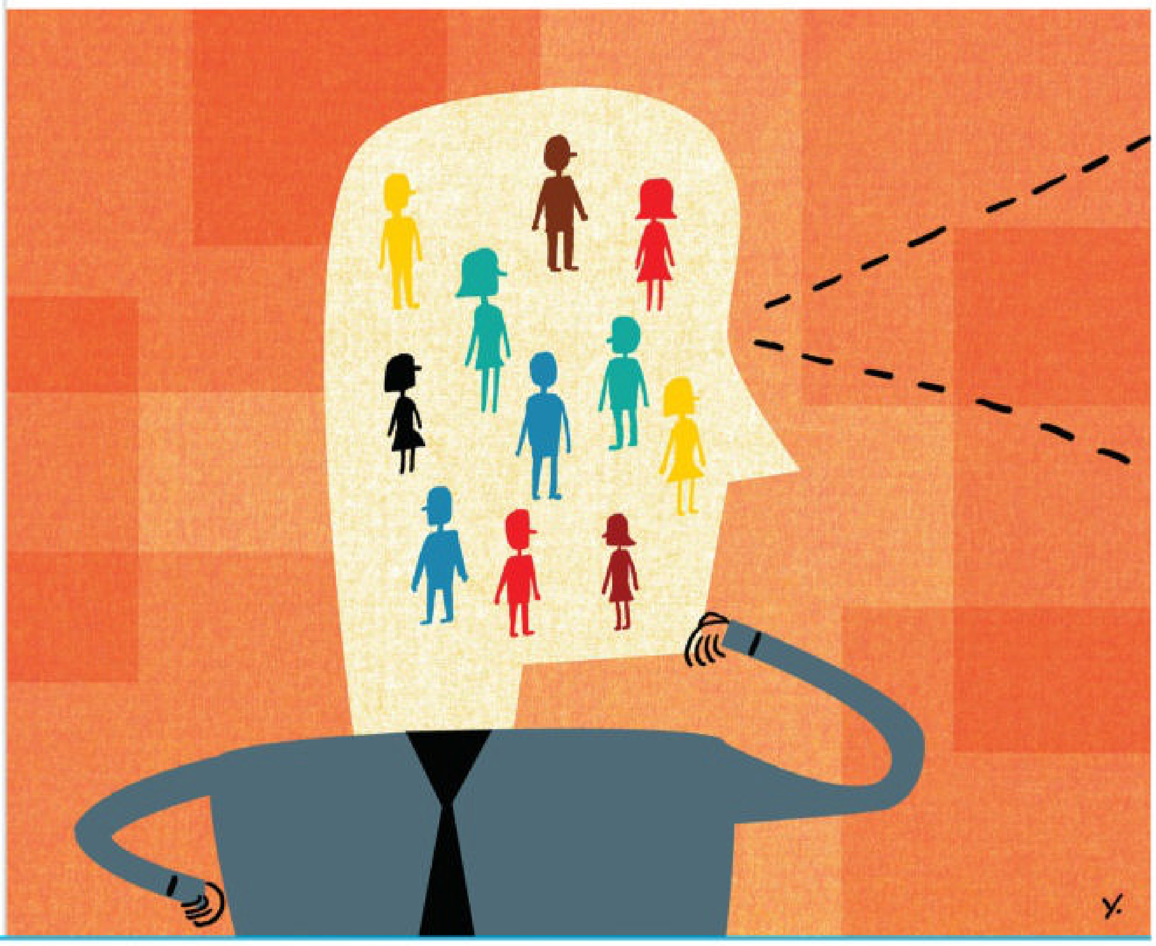


Illustration by James Yang

workforce and business performance, and tailor change management approaches and transformation strategies to the needs of specific business units." That sounds very much like a CEO's job description.

Minting success

In 2018, Anne Jessopp, who studied economics at Leicester Polytechnic in England (now De Montfort University), broke new ground at the Royal Mint, which manufactures coins for the UK and 22 other countries. She became the first female CEO at the 1,100-year-old organization. (Yes, it was back in the second half of the ninth century that coin making was centralized.) At the time she took the job, she was also a rare leader from a human resources background. Her previous jobs included personnel roles for consumer products giant Procter & Gamble and the industrial arm of UK-based vehicle leasing firm Lex Autolease.

Jessopp thinks that in the past, CHROs had made little progress getting to the top spot in organizations because chairmen were used to replacing like with like. More diverse boards—around 30% of board positions in both the EU and the US are now held by women—have led to greater open-mindedness in looking beyond finance and operational functions for the next boss. She also believes that the agility required of today's leaders has forced boards to consider more options.

"I'm exaggerating to make the point, but organizations did the same thing for quite a long time: same customers, same marketplace, same way," Jessopp told me. "The CEO could more easily be expert [in one area]. Now change is so fast, and organizations have got to be looking at new opportunities and threats constantly. The CEO has got to be expert at enabling others."

Such skill demands a closeness to the workforce and speaks to the new corporate agenda, in which people trump the previous priorities of brand management or revenue on the path to success. Human capital has become disproportionately important to modern companies that make nothing tangible, within which intellectual property (IP) is created from the best ideas. Success is contingent on how well IP is promoted and distributed by the workforce, and transformation, be it digital or to a hybrid world of work, is top of mind.

More diverse boards have led to greater open-mindedness in looking beyond finance and operational functions for the next boss.

Roisin Currie explained the importance of the people agenda in driving change in an interview. At the time, Greggs was overhauling legacy IT systems inherited through a series of acquisitions while also pushing into new markets. The Main Street bakery, famous for its sausage rolls, was transforming into a food-on-the-go provider. Currie was instrumental in managing expansion into new lines, such as serving coffee in competition with Starbucks and McDonald's, which required training staff and altering working practices.

"Technology is part of it, but people are much more important," Currie said. "Getting people behind one way of working will be absolutely critical." She added: "We have to make sure we engage with everyone around what this change program means. People resist change because they are frightened and don't know the impact it will have. From Day One, we've tried to be as transparent as possible." Since 2019, Greggs has sold more coffee in the UK than Starbucks, and in 2020, it shared bonuses worth £20 million (US$26.8 million) with staff. The public share price nearly doubled in calendar year 2021.

Additional responsibility

During her 24 years at Unilever, Chanel's Leena Nair promoted the HR function as a forward-looking part of the business, rather than simply being reactive to the needs of its other parts. "I passionately believe that HR needs to lay the road for the business, not merely fill the cracks after the business has gone ahead," she said in an interview while still at Unilever. "We can't lay the road if we're not out there, finding out what's happening in technology, what's happening to people, what is happening to jobs and employment."

Nair also strove to connect HR with the financial outcomes and efficacy of the business, an approach that included using a predictive attrition tool to forecast who was most likely to quit their job.

"If we forecast that X number of people are going to leave the business, that translates to a waste of, say, €200 million [US$253 million]," she said. "If we can retain a certain number of people with active conversations, then we'll have saved €50 million [$58 million] for the business. We aim to encourage HR people to think in that way and quantify what they do."

The Advanced Management Program (AMP)

THINK CHICAGO BOOTH

Unparalleled Leadership for Extraordinary Times

The **Advanced Management Program** (AMP) from the University of Chicago Booth School of Business is designed for senior executives who desire to increase their impact and are serious about taking their organizations—and themselves—to the next level through agile, innovative leadership. Executives leave with razor-sharp business judgment and the skills to make high-stakes decisions for lasting value.

AMP participants are immersed in a collaborative environment where professors and classmates challenge ideas and test assumptions. AMP is the only senior executive program to offer an individualized course of study with the option to choose elective courses. The program consists of three core sessions - one week—focusing on different aspects of enterprise leadership and three elective sessions—allowing for a personalized curriculum across multiple learning formats. What's more, you can enroll anytime as electives are offered throughout the year.

Chicago Booth is where intellectual rigor, engaging teaching, and cutting-edge research meet. As a result, participants have transformational experiences and become empowered, impactful leaders. Learn more at ChicagoBooth.edu/AMP and empower your organization with The Chicago Approach™.

2022 ADVANCED MANAGEMENT PROGRAM

Gleacher Center
Downtown Chicago

Start the program at any point during the year and select elective sessions that fit your schedule.

Contact us for a consultation at +1 312.464.8732, exec.ed@chicagobooth.edu, ChicagoBooth.edu/AMP

CHICAGO BOOTH | Executive Education

CHICAGO LONDON HONG KONG

Nair joined Unilever as a management trainee in India in 1992 and progressed through a series of personnel roles, first within the country and then across South Asia. She became CHRO and a member of the group's leadership executive team in 2016, which exposed her to broader decision-making. Nair also gained wider experience in another way, by joining BT Group, a multinational telecom company based in the UK, as a nonexecutive director in 2019.

Currie spent most of her working life in HR roles, but she also took on added responsibilities as Greggs's retail and property director in 2017. Those responsibilities included the development of the physical real estate—the shops—plus a delivery business in partnership with the takeaway app Just Eat. Before joining Greggs in 2010, she worked at Asda, where she held HR roles in the retail and distribution sides of the supermarket chain.

Throughout her career, Jessopp was accustomed to extending her responsibilities and seeking to master new skills. Prior to joining the Royal Mint, she had worked with a team of external consultants brought in to develop a new strategy for her employer. So when Jessopp arrived as the Mint's HR director in 2008, she quickly expanded her portfolio to include other responsibilities such as health and safety, IT, and a change program.

The Mint is essentially a manufacturing business that is destined to shrink as cash in circulation declines. Most staff are based at its site at Llantrisant, in South Wales, where already poor labor relations were made more fraught when the government raised the prospect of privatizing the business. Jessopp's goal was to help establish a new relationship with the Mint's trade union and find ways to preserve long-term employment in the region—she used a combination of soft and hard skills requisite of a CEO in waiting.

In 2015, she was appointed consumer managing director, overseeing the creation and marketing of coins commemorating everything from major historical events to the rock band Queen. Today, the Mint employs more than 1,000 staff and is still in state hands. Its currency arm, which issued more than 2 billion coins and coin blanks in 2021, loses money, but other, profitable activities, such as the commemorative coins unit, have kept the organization viable. Its latest venture is a service to extract and recycle gold and other precious metals from electronic waste contained in the circuit boards of discarded laptops and mobile phones that would otherwise be sent abroad.

Moving beyond HR "helped me practice managing and leading something when I didn't know how to do it," said Jessopp. "It really taught me that the core skill is managing and leading people."

She hopes that a renewed focus on the people agenda serves as a reminder that those leaders with soft skills have no qualms about making hard decisions. As she told me, "True diversity and inclusion says: who is the best person to do this job? It doesn't really matter where they come from." +

James Ashton
james@jamesashton.co
is a UK-based business writer and speaker with more than 20 years' experience, including working as city editor for the *Sunday Times* of London. His book *The Nine Types of Leader* was published in 2021.

Feeding the future

Annikka Hurme, CEO of the Finnish dairy company Valio, on innovating for growth and sustainability.

INSIDE THE MIND OF THE CEO

by Enel Sintonen and Laura W. Geller

Walk the aisles of any shop or market in Finland, and you are likely to encounter a diverse selection of Valio products. Whether it's the company's milk, cheese, butter, or yogurt, its offerings have long been synonymous with quality and innovation, and a source of Finnish pride. The Helsinki-based dairy and food company has been producing milk since 1905, when it was founded by a small group of family-owned Finnish dairy farms.

Today, Valio—with net sales of €1.8 billion (US$2 billion)—is a private company that is still owned by the 4,000 cooperative family farms that produce its milk. Led by CEO Annikka Hurme, Valio is Finland's biggest food exporter, selling products in some 60 countries around the world. The company employs about 4,200 people in its factories and laboratories, and has subsidiaries in Sweden, the Baltics, the US, and China. In addition, Valio indirectly employs thousands of people at farms and small enterprises related to agriculture and food. Hurme joined Valio in 1989 after earning a degree in food economics from the University of Helsinki and held several leadership roles within different business units; she was appointed CEO in 2014.

As part of Hurme's vision to accelerate growth, Valio entered the plant-based sector in 2018, with its oat-milk brand Oddlygood. This new offering, which appeals to shifting consumer preferences, is also consistent with Valio's efforts to build an environmentally responsible business. The company has committed to a net-zero carbon footprint for milk by 2035 and is pursuing a variety of initiatives to achieve this goal. In an interview with *strategy+business*, Hurme explained the company's innovative approach to growth and sustainability.

S+B: Valio is owned by its dairy farmers. What are some of the benefits and challenges of this structure?

HURME: One of the benefits for me and for the other company leaders at Valio is that our purpose and our mission are clear. We know that the company's owners are farmers who want to keep their business alive, generation after generation. We also know what our farmers want us to do, first and foremost: to maximize the value of the raw milk they produce.

Of course, our structure also presents some challenges. The profits we bring in from the customer go back to our owners. But we also need to keep money in the company to innovate and develop our brand portfolio. Fortunately, our owners understand why we have to think about the future, not just next week's or next month's results. They never cut resources from our R&D organization.

We're also working with our owners to respond to the rise of global trends toward vegetarianism and more climate-friendly food. In that discussion, it is important that we know our own climate impact and actively reduce it. Our owners understand that it is necessary to be active in different fields—for example, that we both pursue sustainable milk production and play a role in the plant-based sector.

S+B: How have you framed this conversation—about entering a competing sector—with your farmers?

HURME: We see that people are increasingly consuming plant-based products. Why not take our share in that growing segment? We can earn more money. And we can use the R&D capabilities and operations that we have—we can use the same factories, the same logistics, the same sales force, and the good market position we have established to compete in the plant-based, dairy-substitute category. We had also entered other nondairy categories decades before, such as fruit juice and [a Finnish specialty] berry soup.

In fact, in the plant-based category, we have the chance to be a very innovative player and a market leader. We entered this space in 2018 with the launch of Oddlygood, and sales have doubled each year since. We want to develop a whole range of plant-based products in the future. It's not because we want to produce less milk, it's because we want to grow.

In May 2021, we spun off the business operations of Oddlygood to form Oddlygood Global. We did this to further enable the commercial utilization of our company's expertise and to pursue international growth. We have to think a bit differently in this space to make sure that we will be successful. Because our primary mission is to maximize the price of our farmers' raw milk, it makes sense for us to create a partnership network so we can raise capital from other sources to grow our plant-based offerings. [In December 2021, Finnish private equity firm Mandatum Asset Management announced an investment of €25 million ($28 million) in Oddlygood Global.]

S+B: What other trends are shaping your growth strategy?

HURME: We've seen increased preference for products with less sugar and more protein. For example, we

Photograph courtesy of Valio

have developed lactose-free milk powders with various added ingredients that we can offer to chocolate companies. By using the powders, they can maintain the quality and taste of their chocolate, with less sugar. This is something very specific that we can do for our customers that sets us apart from competitors. Everyone can offer lactose-free; our advantage is that we can lower the sugar content.

We're constantly monitoring how the consumer thinks and then considering how to adjust accordingly. Some of our factory leaders sometimes say that we have too many stock-keeping units [SKUs] compared to our overall efficiency. But we need to have different kinds of products, package sizes, flavors, sugar levels, fat levels, ingredients, vitamins, and so on. And our product development has to be fast to make sure that we can maintain our market-leader position or gain more market share in other areas. Looking ahead, I believe there will also be laboratory-made food in our pipeline. As an innovative food and dairy company, we want to be part of these changes. Perhaps in the future, people won't be thinking about plant-based or milk-based, but instead about what they need and how it tastes.

S+B: Valio is also confronting climate risk and has set a target to cut milk's carbon footprint in Finland to zero by 2035. Can you talk about the company's sustainability journey?

HURME: I'm happy that we started early, but it was not easy to set that target…. When we first told [our owners] about our plans to reduce emissions, their thought was, wouldn't it be easier to achieve this target in factories or logistics, versus at the farm level? They also wondered how much money they would need to spend to achieve these targets. But luckily, climate actions at farms also mean savings, as resources are used more wisely. Today, our farmers are very committed to our common goals.

We did the research and believe that we can achieve our targets: reducing emissions for milk by 50% at the farm level, 47% at the plant level, and 28% at the collection logistics level by 2030, compared to 2019 levels, and reaching a net-zero carbon footprint for milk by the year 2035. Of course, there are still some things that we don't know today in terms of how we get there. But we are convinced we will figure them out and develop solutions during the next few years. In 2020, our targets for 2030 were validated by the Science Based Targets initiative. And then we have our additional targets that reach out further than that, to 2035.

> **"Climate actions at farms also mean savings, as resources are used more wisely. Our farmers are very committed to our common goals."**

To support the farmers in our sustainability journey, we pay them more money for their raw milk for following the rules of our program—a premium of 2 cents per liter. It's not much per liter, but if we look at the impact on an annual level, it means €8,000 [$8,655] additional for a farm with 45 cows, which is the average farm size at Valio.

S+B: One of your sustainability initiatives involves the production of biogas.

HURME: We are already today producing biogas from our cow manure. We'll be able to make fuel, but also circular products, such as ecological fertilizer and clear water, as part of the process. Our biogas initiative is going to take a few years, but this is one part of how we can help the farmers to achieve our carbon reduction targets.

We are pursuing this initiative by creating a joint venture with St1, a Nordic energy company [with operations in Finland, Sweden, and Norway], as soon as we are approved by the EU. It's crucial for us to have a partner who knows the biogas business and the fuel business, because we are not an expert in these areas. We have the raw materials and can arrange delivery from farms to the biogas plants. St1 can help with distribution, through its fuel stations for heavy-duty vehicles. In this way, we combine our knowledge.

The goal is to create up to 1,000 GWh of biogas production by 2030. Right now, we are lobbying the government to create subsidies so that more businesses can convert their heavy vehicles from fossil diesel to biogas. This would go a long way in helping Finland to achieve its national decarbonization targets. +

Enel Sintonen
enel.sintonen@pwc.com
serves PwC audit clients, helping them navigate a diverse array of financial and nonfinancial reporting topics. Based in Helsinki, she is a partner with PwC Finland.

Laura W. Geller
laura.geller@pwc.com
is a senior editor at *strategy+business*.

Are you really working on a team?

Hybrid and remote work are complicating many of the collaborative challenges that were present long before the pandemic arrived.

by Benjamin Tarshis and Jonathan Roberts

We've been thinking a lot about teams lately. As more companies release formal policies around hybrid and remote work, leaders are telling us that remote work has made working together, or teaming, difficult and has frayed the culture of their organizations. Of course, many companies, including our own, PwC, have long embraced remote work, with great success. And if we listen carefully to the types of problems leaders and workers say they're encountering with teaming, the reality is that most of these issues existed prior to the pandemic.

Many, if not most, workers are frustrated with the groups of people they work with. Leaders and members struggle with long hours, inefficient ways of working, lack of accountability, and frustrating group dynamics. The COVID-19 pandemic didn't create a teaming crisis. It exposed deficiencies in the in-person model while introducing even more complexity.

In the course of our work with clients across various industries, we have identified several issues that contribute to this frustration. But the most basic one is this: in many cases, people are not and have never been on real teams, nor should they be.

If not teams, then what?

Teams don't exist simply because someone puts some names in boxes on an org chart and assigns a leader. Quite the opposite. Teams exist for specific reasons and have specific supporting structures. Our colleague Jon Katzenbach defines a real team as a small group of people with complementary skills who are committed to a shared purpose, who succeed or fail together, and who hold one another accountable.

Real teams are thoughtful and their members push one another to do better. They require leaders who prioritize building connections.

If you feel that your group is missing any one of these ingredients, you might not be part of a real team. This isn't inherently a bad thing. But it does prompt the question: what should you call the group of people you work with every day?

We can typically break down collaboration groups into three types (see chart, page 16):

• **Real teams** are all about solving the hardest, most complex problems. A diverse set of perspectives and skills is required to untangle these sorts of problems, for which there is no obvious solution. Members of a real team trust one another and work toward a common goal. Real teams are thoughtful. Team members argue, and they push one another to do better. Real teams require nimble leaders who prioritize building connections within the

Illustration by Phil Marden

team. They create clear boundaries that reinforce a strong sense of trust. They have a shared purpose and clear norms. And, importantly, they produce a collective output. If you see a group of people focusing intently on solving a single, very complex problem, you're probably looking at a real team.

• **Working groups** are all about efficiency. Most people spend most of their productive time in working groups. We'll say it again: there is nothing wrong with being in a working group. In fact, working groups are often best suited to the tasks at hand. Managers of working groups focus heavily on techniques to make their collaboration more efficient. Members assign work, share information, and complete tasks individually. Individual accountability is high; emotional commitment and sense of shared purpose are relatively low. If you see people execute a disciplined "five-minute stand-up," they're acting like a working group.

• **Teams-in-name-only** are groups that claim to be a team, but lack emotional commitment and shared purpose. They are like working groups, but without the efficient processes and individual responsibility. Work gets done, but not always in the most efficient or effective manner. Being on a team-in-name-only requires neither discipline nor commitment, which typically makes it the default mode of working. If a team-in-name-only has a leader, she or he often has minimal leadership skills. Members of a team-in-name-only spend a lot of time talking about their own individual responsibilities, and team meetings become a series of one-on-one conversations between managers and their subordinates. If you aren't having conversations about how you work, your objectives, and your commitments to the people you work with, there's a good chance you are functioning as a team-in-name-only. The five-minute stand-up that lasts 90 minutes is a common characteristic of a team-in-name-only.

If you aren't having conversations about how you work, your objectives, and your commitments to the people you work with, there's a good chance you are functioning as a team-in-name-only.

Although most people are told that they're part of a team, the reality is that, more often than not, they're members of a team-in-name-only.

Whose team are you on?

	Real team	Working group	Team-in-name-only
Work type	New project or problem	Routine/business as usual	Undefined
Needs from colleagues	Intellectual partnership and emotional commitment	Information sharing	Undefined
Leadership requirements	Shared and fluid leadership responsibilities distributed among all members	Single, strong leader with well-defined role	No formal leader, or an appointed leader lacking the necessary skills or experience
Time use	Open-ended, accommodating ample discussions and active problem-solving	Efficient, with interactions that allow the group to reach answers quickly or delegate a decision	Open-ended and not well-defined
Emotional investment	High	Low	Low

Source: PwC analysis

Why does work feel so much harder now?

Consider how you probably would have solved a problem or worked through a crisis as recently as February 2020. The process probably would have begun with a manager saying, "Team, I think it's going to be a long week," and you and your fellow group members would have responded in kind. You would have rolled up your sleeves, found a place to serve as your war room, and figured out a way to get the task done. You might not have worked together in the most effective or satisfying way, but you would have worked hard and produced a result.

This is a quintessential team-in-name-only experience—a recipe for a result that is acceptable or even good, but not necessarily satisfying or great. As we flash forward to the present, many organizations still haven't decided to work smarter. Rather, they've doubled down on this version of "non-teaming." Here are two ways the team-in-name-only is manifested today:

1. Meeting bloat. When a leader avoids making decisions or it's unclear who should be in the room, the default approach is to have more meetings or invite more people. But what happens when a meeting is no longer confined to a physical space? The ten people who used to max out the available seating in a small conference room can quickly turn into 50 people on a video call, most of whom are unsure of their role, why they were invited, or whether they could have declined the invitation.

2. Excess use of email and chat. In a pre-pandemic world, managers and colleagues could complement these less-effective communication modes with in-person contact (whether it was planned or spontaneous). Now that in-person connections are not always available, we have overcorrected with a less-than-ideal technology solution.

Both of these outcomes have made work harder and are a direct result of not being deliberate about how to work as individuals and as a collective. So, what are some of the choices and decisions you need to make to be most effective in your work?

Ask whether you need to function as a working group or a real team. Recognize that those two ways of working together look very different. It's not impossible to switch between them. But it's helpful to be clear which mode you're using and why. Are the problems this group needs to solve sufficiently complex to warrant the expenditure of emotional energy it takes to build a real team? Is the expected output a collective effort that requires active problem-solving? Or is a high-functioning, efficient working group good enough?

Shrink your group size. We've found that the ideal size for virtual teams is actually three individuals, potentially four if the leader isn't a full-time member of the team. Having more people involved requires significant facilitation and strong norms in order for the group to be effective. Look at any meeting you host, and ask if everyone really needs to be involved. Working groups can often handle a larger size (six to eight participants), as long as the purpose of the meeting is well understood (e.g., information-sharing versus problem-solving).

Make the implicit explicit. As your teams and groups add and lose members, it becomes necessary to reinforce norms. Don't rely on informal means of reinforcing teaming behaviors. Be deliberate about discussing matters like when you communicate, how meetings will be run, and the expectations team members have of one another.

These suggestions aren't silver bullets, but by making deliberate choices about how to collaborate, you can avoid the worst of both worlds: a bloated team-in-name-only that has unclear expectations. After identifying whether your work requires a real team or a working group, you can start taking advantage of remote and hybrid work's benefits instead of constantly grappling with its downsides. +

Benjamin Tarshis
benjamin.m.tarshis@pwc.com
works with clients on workplace issues as part of PwC's Workforce Transformation team. Based in Boston, he is a senior manager with PwC US.

Jonathan Roberts
roberts.jonathan@pwc.com
works with clients on organization as part of PwC's Workforce Transformation team. Based in Northampton, Mass., he is a senior manager with PwC US.

The bullies are back

The pandemic has encouraged some bad behaviors that leaders need to look out for in the new hybrid world of work.

by Linda Rodriguez McRobbie

B*ullying* feels like a playground word. It's the kind of thing we should have left behind with awkward school dances and braces and homework. And it is certainly the sort of thing that we adults should be above. But, of course, we're not.

Trying to get a sense of the prevalence of bullying in the workplace—the adult version of the playground—is difficult. But researchers agree that bullying is an understudied and widespread problem; the data we do have seems to show that bullying, in the US at least, is on the rise: according to a January 2021 survey by the Workplace Bullying Institute (WBI), 30% of US workers reported being bullied, up from 19% in 2017. Bullying, as defined by the WBI's survey, is a pattern of repeated mistreatment, abusive conduct, or work sabotage that humiliates, intimidates, or harms the targets and interferes with their ability to work. "It's gotten worse," confirmed Gary Namie, head of the WBI, which has conducted this survey every five years since the late 1990s.

While it should probably go without saying, I will say it anyway: there are no benefits to bullying in the workplace—not to the people suffering it or the employees witnessing it, and not to the company's bottom line. It does not make organizations more competitive, weed out the weak, or give anyone an edge. It cannot be justified as "just the way things are done" or by the idea that because some workers dealt with it, everyone should—that it's a kind of "paying dues."

And more and more employees are recognizing that. Right now, we're in the midst of a "great resignation" that's driven in part by people no longer tolerating toxic workplaces. In an article published in the *MIT Sloan Management Review* in January, researchers Donald Sull and Charles Sull, of analytics firm CultureX, and Ben Zweig, of Revelio Labs, analyzed data from 34 million online employee profiles in the US Bureau of Labor and Statistics database, as well as 1.4 million Glassdoor reviews, and determined that "toxic corporate culture" was the single biggest predictor of employee attrition, ten times as significant as compensation.

And if one person takes a stand, others are likely to as well: some evidence suggests that quitting is almost as contagious as COVID—it's called *turnover contagion*, a term used by academics to describe how the decision of one employee to quit can influence others to follow suit.

So, when word gets out that a company tolerates bullying, that organization is going to have a hard time keeping and attracting employees. With the talent wars raging, that's not a position any business wants to be in.

Illustration by David Plunkert

Remote work, remote bullying

What's driving the reported rise in workplace bullying is complex, but it may be connected to the sudden exodus of employees from the office during the pandemic. Namie says that back when remote work was called telework—because it was literally done over the telephone—he noticed a trend: "There was always a higher level of aggression when the supervision was disembodied. When you do away with face-to-face, it gets a lot worse."

Reams of evidence—both lived and scientific—underscore that people are less likely to self-censor some behavior when in online spaces, a phenomenon known as online disinhibition. Though this effect is most evident when people are anonymous, many of the conditions that enable it, such as asynchronous communication and the propensity toward cyber-incivility, exist in remote work as well. It's easier to be mean when you're hiding behind a screen. Hybrid and remote work also potentially make it easier to exclude individuals—keeping people out of a Slack channel is less of a challenge than keeping them out of a meeting room.

In addition to forcing employees out of the office, the pandemic also moved people out from under the watchful eyes of their supervisors. Not all organizations have managed the shift gracefully—witness the problematic rise of digital surveillance technology, also known as tattleware. That employees were still productive without being watched (read: controlled) has put some bosses on the defensive. Increased employee freedom, Namie told me, "drives the insecure people, already behind a lot of the bullying, crazy.

"I feel supervisors and managers have a harder time justifying their roles…so they're ratcheting up the aggression," Namie continued, adding that in this new remote and hybrid landscape, aggression has increasingly included belittling and humiliating targets during group virtual meetings.

At the same time, remote work also blurred the boundaries between office and home, since these are often the same space now. "Before, you could easily cut off your personal life from your work life—you walk through the front door of your company's office, and you're there," Jana Morrin, CEO of Speakfully, a workplace reporting platform that enables employees to report harassment and bullying anonymously, told me. "Now, everything is happening all in one space. People see where you live; they can see your home." That access to an individual's personal life can and has provided would-be bullies with more sensitive areas to pick on; it can also make bullying feel more intense, because it's never really left at the office.

Fighting back

Though the reported rise in bullying is troubling, there is a bright spot: people don't seem to want to put up with it. As research demonstrates, the record number of people leaving their jobs in the last year was propelled by employees fed up with toxic work cultures. "We're finally getting to a point that people are starting to believe and understand that you need to respect your employees," says Morrin. "Companies need to start listening, or else they're not going to have any employees left."

It's also possible that the rise in *reports* of bullying might not indicate that bullying itself is increasing, but rather that employees are now more likely to call out abusive behavior when they see it.

I'm not just being optimistic. According to Rachel Suff, senior employment relations advisor at the Chartered Institute of Personnel and Development (CIPD), the UK's professional body for human resources, the institute's research has shown that more and more people are willing to challenge inappropriate behavior in the workplace. Exactly why has a lot to do with what the broader culture values now.

Young adults who grew up with anti-bullying messages in school are entering the workplace and are less willing to rationalize mistreatment as paying dues or dismiss it as a joke.

Younger generations also reportedly care less about earning potential than they do about maintaining a healthy work–life balance. "They care about being respected and being recognized," says Morrin. "They want to do good work and do something that matters to them." In that calculus, putting up with being bullied in the workplace simply isn't worth it.

Young adults who grew up with anti-bullying messages in school are entering the workplace and are less willing to rationalize mistreatment as paying dues or dismiss it as a joke.

Namie, Morrin, and Suff also all point out that we are living in a moment in which entrenched, often protected, and systematic abuse is being publicly called out. Social movements—#MeToo, Time's Up, Black Lives Matter—are all putting a focus on the structures that uphold abuse, and on the individuals who perpetuate it. People who are standing up to abuse in the streets are far less likely to take it in the workplace.

Unfortunately, not all employers seem to have gotten the message. In the UK, a 2021 survey found that only half of British workers felt their organization took seriously complaints about bullying or abusive behavior. One of the more startling figures the WBI survey uncovered was that 63% of the actions taken by employers in response to reports of bullying just reinforced the abuse. Workers reported that their employers frequently denied or discounted their experiences, rationalized bad behavior as just the way business is done or as "banter," or even encouraged it as somehow necessary for a competitive atmosphere. Ultimately, 52% of those surveyed said that the bullying stopped only when the target—not the perpetrator—left the job or was fired.

"What's disappointing is the lack of effective action by some employers in resolving complaints when they are raised," Suff wrote in an email.

Now that fewer employees are willing to buy into cultures that enable bullying—and a growing cohort of workplace leaders are learning, perhaps the hard way, that it's in their best interest to root it out—change is possible. At the heart of this change is building an environment where bullies of any kind are understood to be unacceptable. "That happens over time," says Namie, "when you stop letting them get away with it." ✚

Linda Rodriguez McRobbie is a freelance journalist living in England whose work examines why people do the things they do. She writes regularly for the *Boston Globe* and *Smithsonian* magazine.

Illustration by Lars Leetaru

How healthy boundaries build trust in the workplace

Boundaries clarify responsibilities and expectations. Both employers and employees need to identify, set, and maintain them to keep people engaged and deliver strong performance.

by Dana Gionta and Liz Sweigart

Upon joining a new team, Eric quickly established himself as one of its most technically skilled members. Eager to prove himself, he dove in headfirst, volunteering for assignments with tight deadlines and demanding deliverables. Between the late nights and marathon weekend sessions, it wasn't long before most of Eric's personal time was consumed with work. His friends joked that he slept with his laptop under his pillow, just in case—that is, they said, if he slept at all.

Eric was convinced that sacrificing his personal time would get him recognized by his bosses. Instead, he started missing deadlines and found that he was no longer getting staffed on the prestigious client projects—ones with a lot of face time with senior executives, ones that would help his advancement. He became confused and resentful. During a one-on-one meeting with the team leader, Eric voiced his frustration and asked why it felt like she and the other leaders weren't seeing his dedication. Rather than directly addressing how Eric's all-work-and-no-play approach was hurting both his own performance and the company's, she simply noted his missed deadlines. When another leader suggested he take time off, Eric thought he was joking. Left to his own devices, Eric had allowed work to take over his life; he had burned out, which caused him to underperform.

What went wrong? Neither Eric nor his bosses saw that the issues resulted from a lack of boundary setting by both the individuals involved and the organization. Although it is a critical piece of interpersonal know-how, the skill of boundary setting is rarely taught either in college or at work. It's one area that too many companies and employees fail to understand, and that failure comes with a cost: the well-being of individuals and the productivity of the enterprise.

Unrealistic work schedules and poorly written job descriptions can exacerbate these issues. Trust breaks down over time. Studies link burnout to boundary violations, such as work consistently intruding on personal time. In addition to lost productivity and poor performance, it is also contributing to the record number of employees leaving their jobs in what has become known as the "great resignation." By contrast, when employees believe their voices are heard and their boundaries respected, they become more engaged with their organization.

Boundaries are the mental, emotional, and physical limits people maintain with respect to others and their environment, and psychologists consider them healthy if they ensure an individual's continued well-being and stability. They serve many valuable functions. They help protect us, clarify our own responsibilities and those of others, and preserve our physical and emotional energy. They help us stay focused on ourselves, honor our values and standards, and identify our personal limits.

Physical workplace boundaries may include delineating an individual's personal space in a shared office or limiting body contact to handshakes rather than hugs. Mental boundaries reflect individuals' important beliefs, values, and opinions. At work, that may mean not participating in activities that conflict with a person's religious convictions, like betting pools, or personal choices, such as avoiding alcohol at office events. Emotional boundaries relate to people's feelings being acknowledged and respected and may manifest themselves as individuals not discussing their personal lives with coworkers.

It's therefore important for individuals and organizations to understand the role that boundaries play in protecting us from harmful outcomes, such as burnout. There are three steps to better boundary management: identifying boundaries, setting boundaries, and maintaining boundaries.

Identifying boundaries

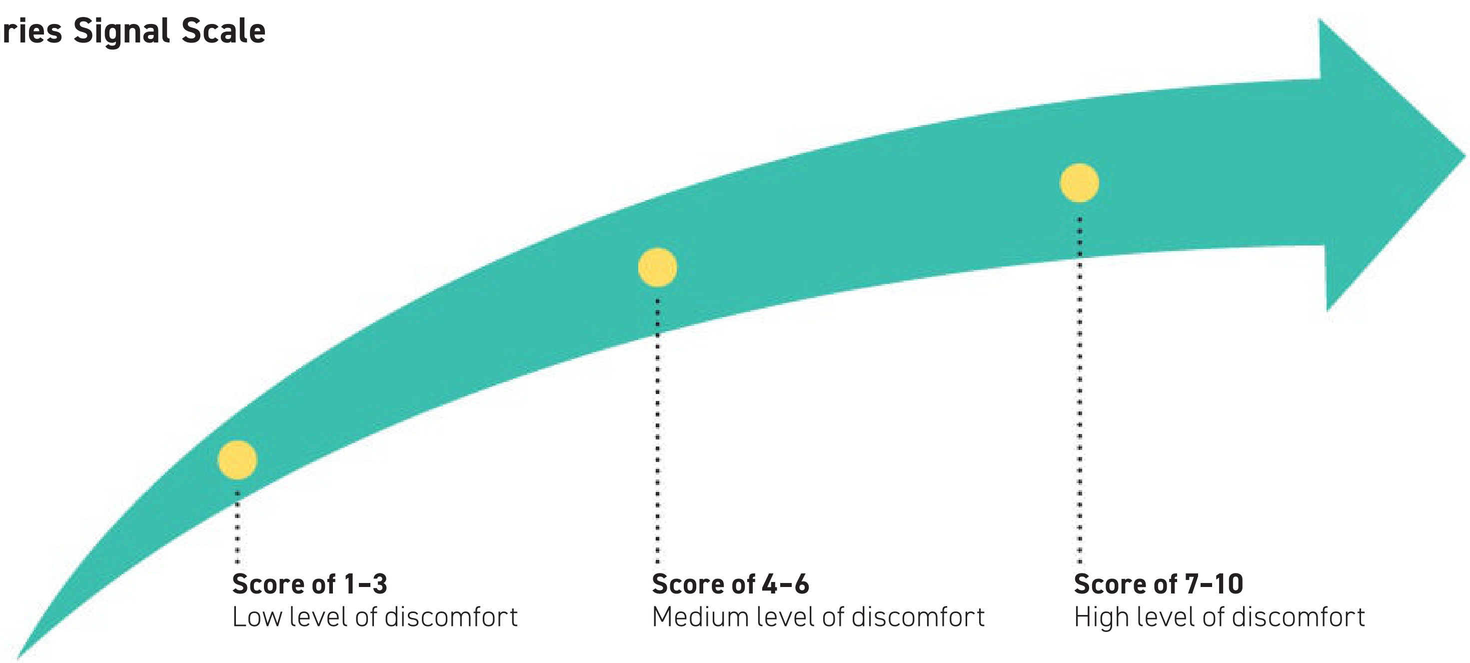
Individuals need to be able to recognize the need for one or more mental, emotional, or physical limits or boundaries in a particular situation. This requires both self-awareness (understanding why we do what we do) and situational awareness (understanding the dynamics of others in the environment around us).

Developing greater self- and situational awareness is one of the first and most important steps managers and employees can take to encourage healthy boundary setting at work. Reflective practices such as journaling, spending time alone (especially in nature), and meditating can help individuals recognize feelings that may signal the need for a boundary. Pay special attention to feelings of discomfort, resentment, or guilt with a particular person or work situation. When determining whether a boundary is needed, think of these feelings as being on a continuum, not black or white.

A simple tool for raising self-awareness around these feelings is the Boundaries Signal Scale (see graphic below), which measures the intensity of negative emotion (such as discomfort, resentment, or guilt) an individual feels in response to a situation on a scale of 1 (lowest intensity) to 10. Scores of 4 or higher may indicate a need for an individual to set or reinforce a boundary. For example, when an overeager colleague interrupted Susan in a meeting, she rated the experience a 2 because it was a one-time occurrence and the colleague meaningfully apologized. In another instance, Susan worked through the weekend to deliver a report that her boss demanded by Monday but did not review until Friday. He then asked for her to address his changes by the following Monday morning, which meant she'd be required to work over a second weekend in a row. For Susan, this interaction rated a 10, indicating to her that she needed to set a firm boundary with her boss.

Studies link burnout to boundary violations, such as work consistently intruding on personal time.

Boundaries Signal Scale



Source: *From Stressed to Centered: A Practical Guide to a Healthier and Happier You*, by Dana Gionta and Dan Guerra

Setting boundaries

People must communicate their boundaries clearly and consistently to others, a skill known in psychology as assertive communication.

Maintaining boundaries involves the continued practice of confirming the appropriateness of the set limits.

Open and assertive communication styles are essential to healthy boundary setting. Managers and employees should clarify expectations upfront and continuously reevaluate them over the course of the working relationship. Often, people assume their needs and preferred ways of working are understood, so they don't state them. This can result in misunderstandings.

Teams should collectively consider and challenge assumptions and suppositions. Taking this step intentionally can help foster better communication and transparency in the group, which builds trust. Identifying and observing role models who are skilled at boundary setting can also help. Notice the language they use, their tone, and the body posture they take to assertively communicate their boundaries and expectations.

The most effective boundaries are those set and maintained collaboratively with open, up-front communication about intentions and needs. In Susan's case, she and her boss never had a conversation clarifying expectations. If, however, they had candidly and transparently discussed overtime hours and lead time for deliverables earlier in their working relationship, a healthy boundary would already have been in place. Employers and employees should work together to define mutually acceptable boundaries for performance expectations during the onboarding process and when an individual is promoted or changes roles.

Setting and communicating boundaries fosters a sense of interpersonal safety and trust. In a stressful moment, emotions can cloud judgment and make it difficult to effectively set boundaries. Using a simple eight-step process offers clarity (see table below).

Maintaining boundaries

Maintaining boundaries involves the continued practice of confirming the appropriateness of the set limits, adjusting them if need be, and communicating them assertively, especially when they may be challenged. It is important to communicate clearly and in a matter-of-fact tone the consequences if the boundaries are tested or ignored, and then to follow through if it happens. Emotionally charged communications are frequently ineffective in producing sustainable change.

Consequences should be meaningful for the other person and result in a behavior change. For instance, if a coworker continuously calls after work hours to address ongoing work issues, a low-impact consequence would be to keep an-

Eight steps for setting boundaries

1. Name your limits.	2. Tune in to your feelings.	3. Give yourself permission.	4. Make self-care a priority.	5. Consider your environment.	6. Seek support.	7. Be assertive.	8. Start small.
Get clear about your emotional, mental, physical, and spiritual limits. What will you accept? What makes you feel uncomfortable?	Use the Boundaries Signal Scale to become more aware of the need to set or maintain a boundary. Set and communicate a boundary if you consistently rate a type of interaction in the medium or high zones.	You may question whether you can even set boundaries in the first place. When these thoughts arise, reaffirm your right to set healthy boundaries.	Taking steps to ensure your well-being improves your ability to set and maintain healthy boundaries.	Think about what in your environment is supporting your healthy boundaries and what may be creating obstacles.	If you're finding it difficult to set healthy boundaries, there are numerous courses and books on the topic. Other valuable sources of support are employee assistance programs (EAPs), therapists specializing in boundaries, and knowledgeable friends.	It's important to communicate clearly and respectfully when a boundary is crossed. Be specific about how the boundary-crossing affected you, and state your expectations for future behavior.	Begin by setting boundaries that feel nonthreatening to you. As you develop your skills, progress to setting boundaries that feel more challenging.

Source: *From Stressed to Centered: A Practical Guide to a Healthier and Happier You*, by Dana Gionta and Dan Guerra swering the phone while saying these intrusions are inconvenient. A medium-impact response would be to decline to take the calls and set a meeting to clarify mutual expectations for communications outside regular working hours. A heavy consequence would be to lodge a complaint with human resources. The most effective consequences match the level of the boundary-violating behavior.

For example, if Susan and her boss had previously set expectations that she would not work over the weekend, and this was repeatedly disregarded, it would be appropriate for Susan to renegotiate her boss's Monday deadline for a last-minute, nonessential project requested late in the week.

Overcoming obstacles

In the workplace, individuals may struggle to set healthy boundaries for a variety of reasons, including:

- A previous negative experience when attempting to set a boundary
- Fear of conflict or negative repercussions, which often leads to avoidance behavior
- A lack of confidence in their ability to respectfully communicate a boundary, either because they don't know what language to use to set one or because they fear it will come out aggressively due to built-up frustration
- Not realizing a situation warrants a boundary
- Self-doubt about whether they have a right to set a boundary.

This struggle with boundary setting—when an employee feels unable to clearly share their true thoughts, feelings, needs, and expectations—often results in an unintentional style of passive-aggressive interpersonal communication. Over time, if the uncomfortable or unwanted situation or behavior continues, resentment builds, and when employees reach their limit, they end up expressing their frustration in an aggressive way. In these instances, coworkers and managers who had the impression that everything was going well are taken by surprise, feel confused, and may feel blindsided by their colleague's behavior. This breakdown in communication ultimately erodes trust as managers and employees feel increasingly uneasy and uncertain about one another's true thoughts and motivations. In Eric's case, he lost faith in his managers and abruptly resigned to take a job at a competing firm. Susan and her boss struggled to work together because Susan felt taken advantage of, and her boss constantly questioned her commitment to her job. Eventually, Susan left to start her own company.

Employers need to explicitly state what is expected and what is not expected of employees.

Clear expectations

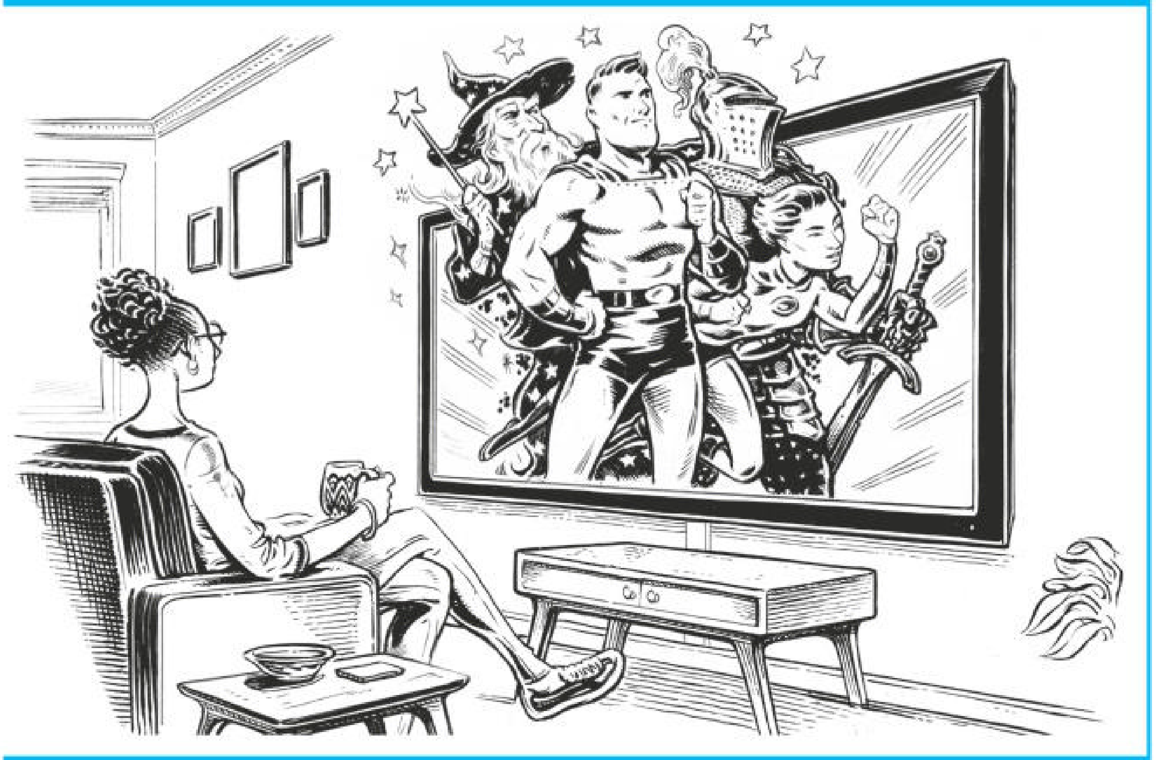
This is where employers need to step in. They need to explicitly state what is expected and what is not expected of employees. It is also important that employers pay attention to and empathetically inquire into a significant change in an employee's performance, something that didn't happen with Eric. Employers can provide opportunities for managers and executive leaders to learn how to develop their own healthy boundaries, model boundary setting, and coach others in doing the same.

Perceived power imbalances between employers and employees may make setting healthy boundaries difficult, particularly for entry-level professionals. This is where it is imperative for employers to remember that employees who set and maintain healthy workplace boundaries have been shown to be less prone to burnout. Therefore, it is in employers' best interest to support healthy workplace boundaries among all employees.

It takes energy and courage in the face of internal resistance to change ways of working. Individuals successfully build their boundary-setting skills by starting slowly and acknowledging that early attempts may be imperfect. Coaching can be valuable for both managers and employees. By taking steps to identify, set, and maintain healthy boundaries at work, employees and managers can build trust, improve resilience, and contribute to a higher-performing environment for everyone. +

Dana Gionta, Ph.D.
dgionta@gmail.com
is a clinical psychologist, executive coach, and speaker with a background in business, psychology, coaching, and health. She is the coauthor, with Dan Guerra, of *From Stressed to Centered: A Practical Guide to a Healthier and Happier You.*

Liz Sweigart, Ph.D.
lizsweig@gmail.com
is the chief product and strategy officer at Safe Kids AI and a former principal at PwC US. She holds a Ph.D. in organizational leadership from the Chicago School of Professional Psychology and an MBA from the University of St. Thomas.



The real value of video content

As spending on streaming content skyrockets in the entertainment and media industry, a new formula is needed to drive a sustainable return on investment.

by Kim David Greenwood, Kate Kennard, and Chris Mowry

The consumer demand surge for streaming video content is yielding blockbuster—and eyebrow-raising—deals. Netflix reportedly paid US$450 million last spring for the rights to *Knives Out 2* and *Knives Out 3*, the sequels to the 2019 murder mystery that grossed $312 million at the box office. Universal Pictures and NBC-Universal's streaming service, Peacock, in partnership with production companies Blumhouse and Morgan Creek, reportedly signed a $400 million–plus deal to purchase the worldwide rights for a new franchise of *The Exorcist*—even though the original film, starring Ellen Burstyn as the mother of a demon-possessed child, terrorized theatergoers nearly 50 years ago. ViacomCBS, meanwhile, has been busy selling $3 billion in stock to fuel spending on content for its Paramount+ streaming service—spending that includes a whopping $900 million for six extra seasons of *South Park* and 14 movies set in the fictional *South Park* universe. In an industry projected to shell out $230 billion on content globally in 2022, megadeals like these have become routine salvos in the fight for streaming customers. Some will hit the mark; others won't. That's always been the nature of the entertainment and media industry.

Outlook 2022–26

But this tried-and-true portfolio approach won't guarantee success—or even survival—as the streaming wars rage on through 2022 and beyond. To be sure, global spending on streaming services is continuing to grow (as the chart on page 25 shows), but competition is growing, as new services proliferate.

As rights holders pull their content from streaming services in droves to offer it on their own, the rules of content ROI have changed dramatically. The days when companies could count on a stream of revenue during theatrical "windows"—box office, DVD, premium and basic cable, broadcast syndication—are coming to an end. So are the cushy licensing deals that allowed poorer-performing titles to be packaged with blockbusters.

In this new world, every content asset matters. One clunker can mean a mass subscriber exodus. That's why we created a three-pronged formula for content valuation that can help drive meaningful and sustainable ROI. The formula is simple and consists of three variables: demand, expansion, and exclusivity.

Demand

To properly value any third-party TV show or movie, one must understand demand. That's no easy task in the era of streaming. Most platforms opt not to share detailed viewership data with the public. However, some independent data and analytics firms, including Parrot Analytics, have built their own demand metrics based on the level of piracy and social media chatter, and these can serve as a good starting point. The next step is to aggregate all forecasted and actual revenue-based metrics (such as ticket sales and total views) together with social-impact metrics (such as social media impressions) and quality metrics (such as awards or Rotten

Illustration by Lars Leetaru

Tomatoes ratings). That will help you create your own demand metric for current and future content.

Expansion

Content that can be expanded into sequels, spin-offs, and TV series tends to be more valuable than "one-and-done" shows and films. *Titanic* was a historic box office success, taking in $2.2 billion worldwide, but the movie doesn't easily lend itself to expansion. The ship sank at the end, after all, and nearly all the main characters died. *Titanic* also hasn't sold a lot of merch. In contrast, Harry Potter is fertile ground for expansion. The eight Harry Potter films took in $7.7 billion at the worldwide box office. But thanks to toys, video games, Halloween costumes, and the Wizarding World of Harry Potter theme parks, the franchise is valued at more than $25 billion, which suggests an active and engaged fan base that's always hungry for more content.

Now consider expansion in a streaming context: *The Mandalorian* is part of the expansion strategy of perhaps the most successful content franchise of all time: Star Wars. Having debuted on Disney+ in 2019, *The Mandalorian* takes place five years after *Star Wars: Episode VI—Return of the Jedi* and 25 years before *Episode VII—The Force Awakens*. Market-intelligence provider Antenna found that 29% of Disney+ subscribers who signed up during the launch of *The Mandalorian*'s second season had actually subscribed to Disney+ in the past. To wit: these customers were joining back up to watch one particular show that held the promise of more to come.

In this new world, every content asset matters. One clunker can mean a mass subscriber exodus.

Exclusivity

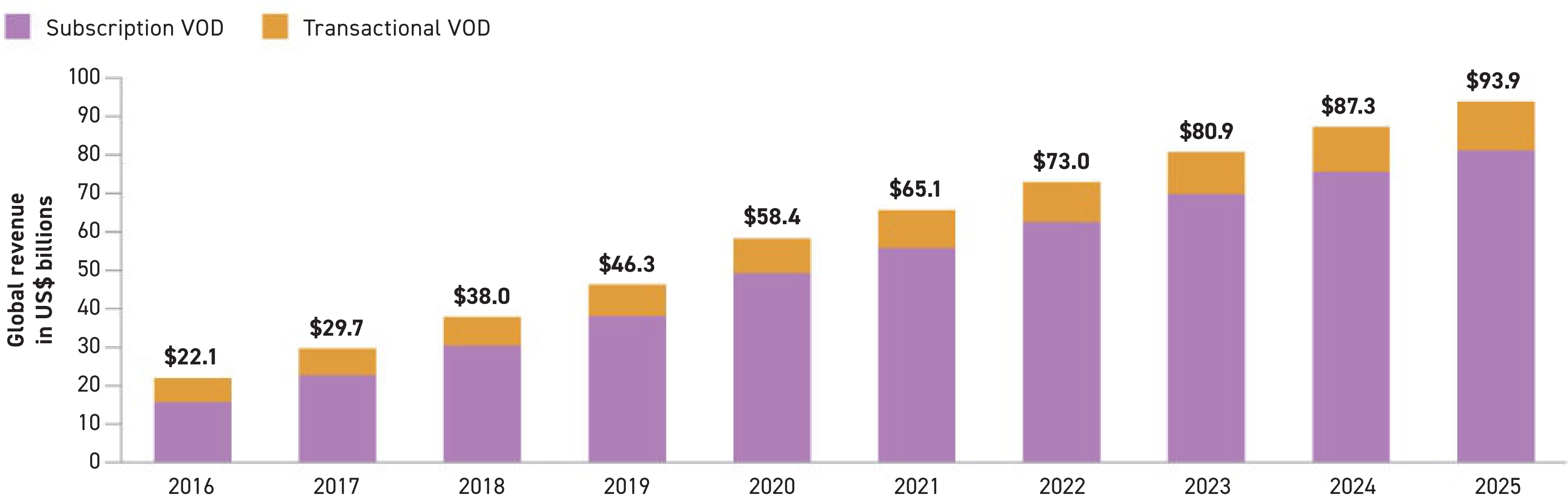
Exclusivity plays a major role in helping companies attract customers to their streaming platforms. Think back to January 2021, when the beloved nine-season, 201-episode NBC sitcom *The Office* moved from Netflix to Peacock. Fans helped NBCUniversal's streaming platform earn more paid sign-ups around *The Office*'s debut than during the nationwide launch of the service or any other new programming event, including Premier League soccer. Disney+, meanwhile, offers a similar value proposition with Marvel's superhero fare, which moved from Netflix after Disney+ launched in late 2019. Since then, Disney-owned Marvel content has been a huge driver of customer acquisitions.

Playing to type

There is no single right way to apply our formula for content valuation. Each player in the streaming ecosystem has its own content strategy and business and revenue model. Some companies will offer content free with the goal of increasing viewership and merchandising sales. Others will only want to increase subscriber revenue. Every media executive must see the formula through the lens of their own business and future growth strategy. In our analy-

The streaming boom

Over-the-top video-on-demand (VOD) is on a historic growth trajectory, but competition is making content valuation more important than ever.



Note: 2020 is the latest available data. 2021–25 are forecasts.
Source: PwC, *Global Entertainment & Media Outlook 2021–2025*; Omdia; Bundesverband Audiovisuelle Medien; ANCOM

sis of the industry, four instructive archetypes emerged. Each calls for a different application of our content-valuation formula.

1. The Reigning King

Netflix is in a category of its own. The company has almost 222 million paying subscribers, as of its first-quarter 2022 earnings report. Compare that with Amazon Prime Video's more than 175 million, Disney+'s roughly 130 million, and Peacock's approximately 25 million.

Netflix is projected to spend more than $17 billion on content in 2022, a 25% increase from 2021 and a 57% increase from 2020, as the company must replace hundreds of shows and movies that have left or are scheduled to leave for other platforms. Yet even with hit shows like *Glee* disappearing, Netflix still has the largest content library in the world. And its strategy is to continue building that library with its own content, particularly shows tailored for international customers, such as *Narcos: Mexico* and the Spanish crime thriller *Money Heist*.

How the Reigning King should use the formula: In April 2022, Netflix reported its first decline in paid users in more than ten years. As the company matures in its second decade of streaming, the equation varies by geographic market. In saturated markets such as North America, where Netflix is losing subscribers and projecting even more losses, expansion is the most important variable: Netflix must find new opportunities for growth beyond monthly subscriptions. For every content investment made, Netflix must ask itself: Can this piece of content be expanded to realize its full value? Can it drive higher average revenue per user (ARPU) via other revenue streams such as merchandising and new experiences? To bolster its two main sources of revenue—streaming and DVD rentals—Netflix recently launched an online shop for branded merchandise like *Stranger Things* hoodies. However, in emerging markets where customer attrition is less of a problem for the company, the demand and exclusivity variables take on greater importance.

Proven hits have established universes of fans ready to give up their time and money.

2. The Nostalgists

Recent streaming entrants, including Disney+, HBO Max, and Peacock, have garnered millions of new customers and continue to gain traction in the market. One common denominator of their success: nostalgic blockbusters. Whether it's Disney+ with Star Wars, HBO Max with *The Sopranos*, or Peacock with *30 Rock*, the formula revolves around the familiar comfort of hit shows and movies. The sentimental appeal of such content is also multigenerational: Star Wars pulls in older viewers who fondly remember the original 1977 film while hooking younger fans with *The Mandalorian*.

How Nostalgists should use the formula: Although demand and exclusivity matter to Nostalgists, expansion is the most important variable. Proven hits have established universes of fans ready to give up their time and money for spin-offs, sequels, and merchandise. Some Nostalgists, like Disney and NBCUniversal, are in the business of developing new material, and as a result still rely on the box office success of new content properties for revenue.

3. The Ecosystem Techies

Nostalgists see content as the primary driver of value, but others perceive content as a means to an end. Companies in this category aren't concerned with viewership as much as how that viewership translates to other outcomes, such as customer interaction on their platforms (Meta/Facebook), mobile device usage (Apple), data generation (Google), and deeper participation in a transactional ecosystem (Amazon). The Ecosystem Techies are focused on a new phase of streaming growth—one that's more centered on improving customer experience, building communities around universes of content, and retaining and creating value from their immense subscriber bases and troves of subscriber data.

How Ecosystem Techies should use the formula: Demand is the most critical variable. More eyeballs translates to a larger ecosystem. The expansion of any content would be nice to have but is not crucial. Exclusivity is even less important. Ecosystem Techies are accustomed to catalyzing the demand of other players (e.g., Nostalgists and the Reigning King) to take a cut of transactions.

4. The Sell-Side Creators

Sell-Side Creators spark bidding wars with their content. One of the leading examples of this archetype is Sony. Instead of spending billions of dollars to develop its own streaming platform, Sony decided to offer its vast catalog of shows and movies—which includes *The Karate Kid*, *Ghostbusters*, and *Spider-Man*—to the highest bidder. Under a deal inked last year, Sony's new theatrical releases will debut in theaters first and then premiere on Netflix. After the conclusion of that first pay-TV window on Netflix, those films will leave and take their permanent place on Disney+ or Hulu, which Disney co-owns.

How Sell-Side Creators should use the formula: Demand and expansion are critical to Sell-Side Creators. Before selling any content, they should forecast future viewership and potential sequels and reboots. Exclusivity becomes an asset in selling to the highest bidder.

A new equation

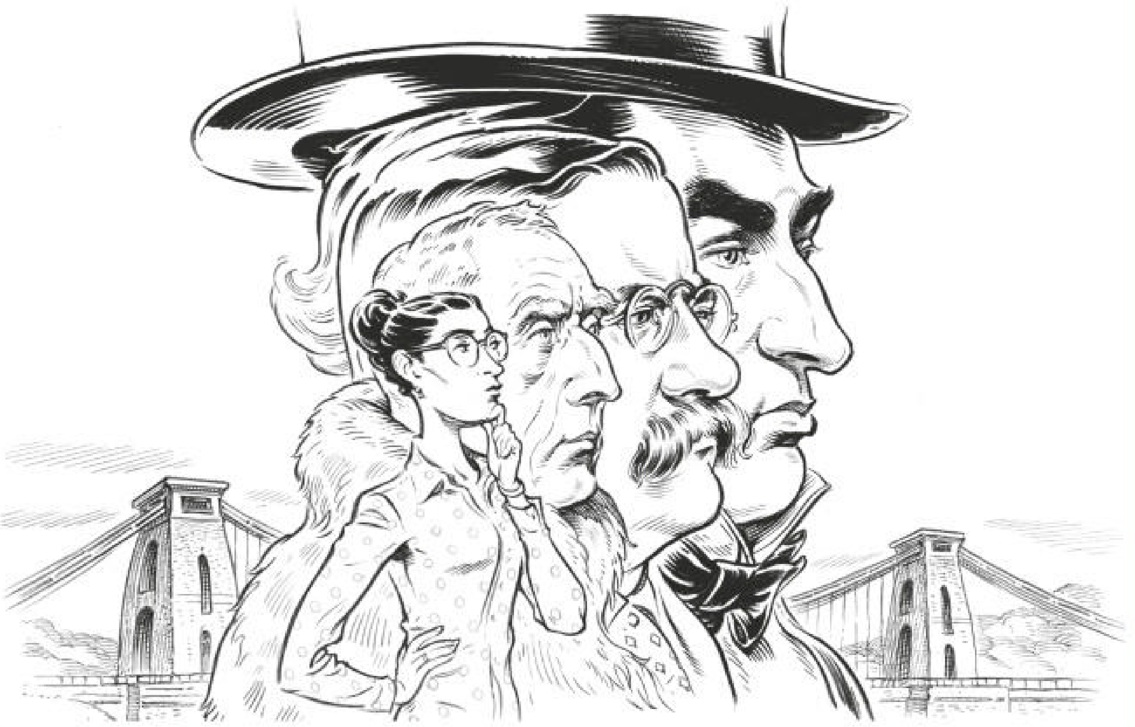
Proper content valuation represents a fundamental strategic choice for the future. As competition evolves with the rise of the metaverse, digital products such as NFTs (non-fungible tokens), and immersive digital storytelling, companies must make sound, data-driven decisions about content and maximize the value of every asset. Ultimately, the key is seeing this formula not as the answer in and of itself, but rather as one tool in a company's strategic arsenal. Used effectively, the formula can help dictate and frame the considerations to weigh and the choices to make about content acquisition and development. +

Kim David Greenwood
kim.david.greenwood@pwc.com
specializes in growth and innovation, transformation, and risk management strategies for Strategy&, PwC's strategy consulting business. Based in San Francisco, he is a principal with PwC US.

Kate Kennard
katherine.c.kennard@pwc.com
specializes in growth and innovation, transformation, and customer strategy for Strategy&. Based in New York, she is a senior manager with PwC US.

Chris Mowry
chris.m.mowry@pwc.com
is a managing director in PwC US's deal practice, focusing on valuation. He works with the telecommunications, media, and technology sectors nationally, as well as the valuation practice in Dallas, where he is based.

Also contributing to this article were PwC's **Layton Cox**, **Ryan Pennock**, **Daniel LeFoll**, and **Kevin Joyce**.



Great feats require crucial decisions

CEOs can hone their decision-making skills by studying leaders who directed world-changing projects.

by Brad Borkan

What do the building of the Great Western Railway across Britain in the 1830s, the construction of the Panama Canal in the early 1900s, and your work as an executive today have in common?

The answer: they involve making crucial decisions—introducing new technology, addressing supply chain disruptions, and overcoming myriad unexpected obstacles—based on the imperfect and incomplete information available at the time.

Although analytical tools and computer modeling have become exponentially more sophisticated in recent years, one element of decision-making has not changed. Decisions of great magnitude must be made by CEOs and leaders of organizations, not by machines or by the people who prepare briefing documents. And the core way we as humans make decisions has not evolved nearly as fast as computer technology amassing and sorting data has. We still make decisions based on the information in front of us, even if the entire picture isn't yet clear.

Having spent many years working in high-tech Fortune 100 companies, and the past seven years researching and writing about the leadership and decision-making behind major historical endeavors, I came to see that modern executives can glean a significant number of lessons and insights from leaders of the past.

In our recent book, *Audacious Goals, Remarkable Results: How an Explorer, an Engineer, and a Statesman Shaped Our Modern World*, David Hirzel and I explain how three extraordinarily successful people made decisions to accomplish great feats. Our focus in the book was to show what modern CEOs and other business decision-makers can learn from these overachievers. So, what did they do?

British engineer Isambard Kingdom Brunel (perhaps the greatest engineer who ever lived), a household name in the UK but little known elsewhere, served as chief engineer of the first tunnel under a flowing river, the Thames, at Rotherhithe, in the 1820s. He also pioneered the modern railway in the 1830s, designing and building the UK's Great Western Railway, which connected London to the port city of Bristol. At the time of its construction, it was the longest (116 miles, or 187 kilometers) and fastest (50 miles, or 80 kilometers, per hour) railway in the world.

President Theodore Roosevelt was the driving force behind both the creation of the US national parks and the construction of the Panama Canal. Norwegian explorer Roald Amundsen was first to sail a ship through the Northwest Passage, the arctic sea route connecting Europe to Asia that had been sought for centuries. Amundsen was also the first explorer to reach the South Pole.

Three people. Three professions. Three nationalities. Despite these differences, we discovered that when faced with challenges, these leaders overcame them with surprisingly similar mindsets. Their accomplishments had similar elements. They were large undertakings, watched by the world. They were multiyear and multifaceted, and they attracted a multitude of detractors who claimed "it can't be done." But Brunel, Roosevelt, and

Illustration by Lars Leetaru

Amundsen all persevered. They consistently proved the naysayers wrong by making bold decisions at critical moments.

CEOs who find themselves in similarly challenging situations can learn from how Brunel, Roosevelt, and Amundsen measured their options. Like so many other things, their process started with information. All three men made decisions based on the facts in front of them. That sounds straightforward. But doing so requires three actions because not all facts are created equal.

First, master the *right* details. Brunel knew every mile of his railway. In 1833, he personally surveyed the entire line on horseback to find the exact, most level route across the undulating English countryside, reasoning that the more level the route, the faster the train could travel. This detailed knowledge was critical to his success in gaining government approval, after he defended the chosen route in front of an 11-day approval hearing at the Houses of Parliament the following year. He had to explain how and why he would build a two-mile tunnel near the village of Box Hill, for example. It would be far longer than any tunnel ever built and require five years to complete.

In the early 1900s, Amundsen was the most knowledgeable person in the world on the Northwest Passage, *before* he set sail to find its location. He achieved this status by studying the 400 years of expeditions that had failed to find such a valued trading route, which he was confident could be traced among the myriad small and large islands, peninsulas, and ice-laden waters between Greenland and Alaska across Northern Canada. What he learned was that on all previous attempts, the quest was derailed by friction between the captain of the ship and the expedition leader. Amundsen spent years studying, training, and enduring grueling voyages to get his sea captain's license so he could be both expedition leader and captain of his own ship on his Northwest Passage attempt.

His study also led him to conclude that a small team of seven men in a single-masted 47-ton, 70-foot former herring sloop could achieve what the mighty British Navy had failed to do with the ill-fated Sir John Franklin expedition. The earlier mission consisted of 129 men and two well-founded ships, yet all the men perished. A small ship, Amundsen surmised, would be more maneuverable through the narrow inlets and shallow seas.

Amundsen spent years studying to get his sea captain's license so he could be both expedition leader and captain of his own ship.

Amundsen's success is legendary. In today's world, his breadth of knowledge could be equivalent to the CEO of a consumer goods manufacturing company knowing all about how its products are created, including detailed information about suppliers and customers. Apple is an exemplar of detail-based leadership.

We know Tim Cook as the CEO of Apple, but his experience was not in the traditional functions from which people ascend to CEO positions, such as finance or sales. Cook's expertise was in supply chains and logistics at IBM, and then at Compaq when it was one of the world's leading PC manufacturers. Steve Jobs recruited Cook in 1998 as senior vice president of worldwide operations. Cook followed the dictum "focus on what you know" and transformed the way Apple builds products and works with suppliers.

Second, seek firsthand knowledge to avoid wishful thinking or unbridled optimism. During the Panama Canal construction, Roosevelt insisted that his visit to the site take place during the rainy season so he could see it at its worst. In the early 1900s, the Panama Canal was the biggest, most difficult, and most expensive construction project the modern world had ever seen (costing around US$36 billion in today's dollars). The canal dig took 11 years and cost the lives of tens of thousands of workers.

The challenge was immense. The Isthmus of Panama was filled with swamp and jungles. The rainy season stretched from April to December. The local river, the Chagres, was one of the most volatile in the world, rising 40 feet in a single rainstorm. The region was also rife with yellow fever, malaria, and other tropical diseases. After a disastrous start in 1904, Roosevelt hired two experts: the engineer John Stevens and the tropical disease expert Dr. William Gorgas. The goal was to dig efficiently, and to rid the canal zone of mosquitoes carrying yellow fever. To give some sense of scale to the challenge, the amount of earth that needed to be excavated would, if shaped into a form like the Great Wall of China, stretch from Newfoundland, Canada, to the Florida Keys.

With so much at stake, in 1906, Roosevelt sought a firsthand, unvarnished view of the work. It may seem hard to believe now, but his visit was highly controversial because, up to that point in history, no sitting US president had ever set foot out of the United States. As a leader, Roosevelt wanted to form his own opinions, so he preempted the official agenda to see all the parts of the canal dig and talked directly with the engineers and workers. His visit to the canal zone and his inspirational speeches were a turning point in the project and gave him added leverage in overcoming his detractors back home.

There are many cautionary tales of CEOs who didn't seek on-the-ground knowledge and, blinded by optimism, made poor choices for the companies they led. High-profile cases include Kodak missing the digital camera revolution, even though the firm had invented the technology. It clung to its past revenue streams and failed to understand what was changing. Blockbuster famously chose not to buy Netflix in 2000 for $50 million. It didn't recognize that Netflix's mail-order model would appeal to customers because it failed to understand the market.

Third, weigh alternatives, make decisions quickly, and communicate changes effectively. Roosevelt used these skills to great effect to make two central decisions. The first was agreeing to the costly change from attempting to build a sea-level canal with no locks to building one that involved constructing the largest dam in the world to control the Chagres River, creating the world's largest artificial lake, with 12 locks, each of which was three times as big as any lock previously built. Second, he decided it was imperative to fund a massive health initiative to eradicate mosquitoes, and yellow fever, in the canal zone.

Theodore Roosevelt talked about striving for "glorious triumphs" when undertaking great challenges.

I discussed the Brunel-Roosevelt-Amundsen approach recently with Jim Riesenbach, who was CEO of AutoWeb, a US-based car and truck brokerage firm linking buyers to auto dealers and manufacturers, during the 2007–08 economic downturn. He faced two decisions: how much to downsize the company and how fast to do it. Cut too deep and the company might never recover; go too slow and expenses could well exceed revenues, thus tipping the company too far into the red.

"I was already immersed in the details of the business, including the analytical models we developed to simulate alternative scenarios and contingency plans. Details were the key to my credibility," explained Riesenbach. On the proposed cuts to the business, Riesenbach told me that he had to present an accurate view of the situation and not sugarcoat it; otherwise, the shareholders, suppliers, and car dealers would lose faith. The company's cash position became a critical factual element of the decision-making process.

Rapid choices and timely communication were Riesenbach's go-to approach, enabling him to manage expectations with customers, suppliers, employees, and shareholders. He could not indulge in wishful thinking, since early in the recession it was not clear how (or even if) the auto industry would recover. In the end, he had to cut 35% of the workforce and divest two noncore divisions. The business survived and still exists today.

Theodore Roosevelt talked about striving for "glorious triumphs" when undertaking great challenges. Obstacles and setbacks were part of the process. Brunel, Roosevelt, and Amundsen achieved their triumphs because of their decision-making: it pays to be well prepared for change. If you are steeped in your business, you understand both the risks and the opportunities, and you know how to communicate how you want people to act, it's much more likely that the decisions you make will lead to successful outcomes. +

Brad Borkan
brad.borkan@gmail.com
is the coauthor of two books, *When Your Life Depends on It: Extreme Decision Making Lessons from the Antarctic* and *Audacious Goals, Remarkable Results: How an Explorer, an Engineer, and a Statesman Shaped Our Modern World*. A former senior director at leading high-tech companies, he is a fellow of the Royal Geographical Society, Vice Chair of the Friends of the Scott Polar Research Institute, and a member of the Society of Authors.

Meet the four forces shaping your workforce strategy

Specialization. Scarcity. Rivalry. Humanity. Companies that understand—and harness—these forces will have an edge in creating vibrant workforces capable of achieving sustained, positive outcomes.

by Bhushan Sethi, Blair Sheppard, and Nicole Wakefield

If you lead, manage, or plan a workforce, you're familiar with disruption—and have seen a lot of it lately, including geopolitical and social crises and the biggest public health emergency in living memory. And you've spent time and energy on everything from designing remote and hybrid work experiences, to understanding the "great resignation," to simply trying to keep your people safe.

Against this backdrop, you need to keep sight of the urgent, fast-moving workforce challenges you face—without losing sight of the long game. You need to inspire and support your people now, even as you help them redefine the nature of their jobs and roles so they can thrive in a highly uncertain future. Only by getting the balance right can you create the kinds of sustained outcomes that will benefit the company, your workforce, and even society.

Illustration by Miguel Montaner

Bhushan Sethi
bhushan.sethi@pwc.com
is the joint global leader of PwC's people and organization practice. Based in New York, he is a principal with PwC US and an adjunct professor at NYU's Stern School of Business.

Blair Sheppard
blair.h.sheppard@pwc.com
is the global leader of strategy and leadership for the PwC network. He leads a team that is responsible for articulating PwC's global strategy across 158 countries and the development of current and next-generation PwC leaders. He is professor emeritus and dean emeritus of Duke University's Fuqua School of Business, and is based in Durham, N.C.

Nicole Wakefield
nicole.j.wakefield@pwc.com
is the global financial-services advisory leader for PwC. She is a senior client advisor and part of the global people and organization practice. She is a partner with PwC Singapore.

The authors thank **Justine Brown, Ingrid Carlson**, **Nadia Kubis**, and **Victoria Robinson** for their contributions to this article.

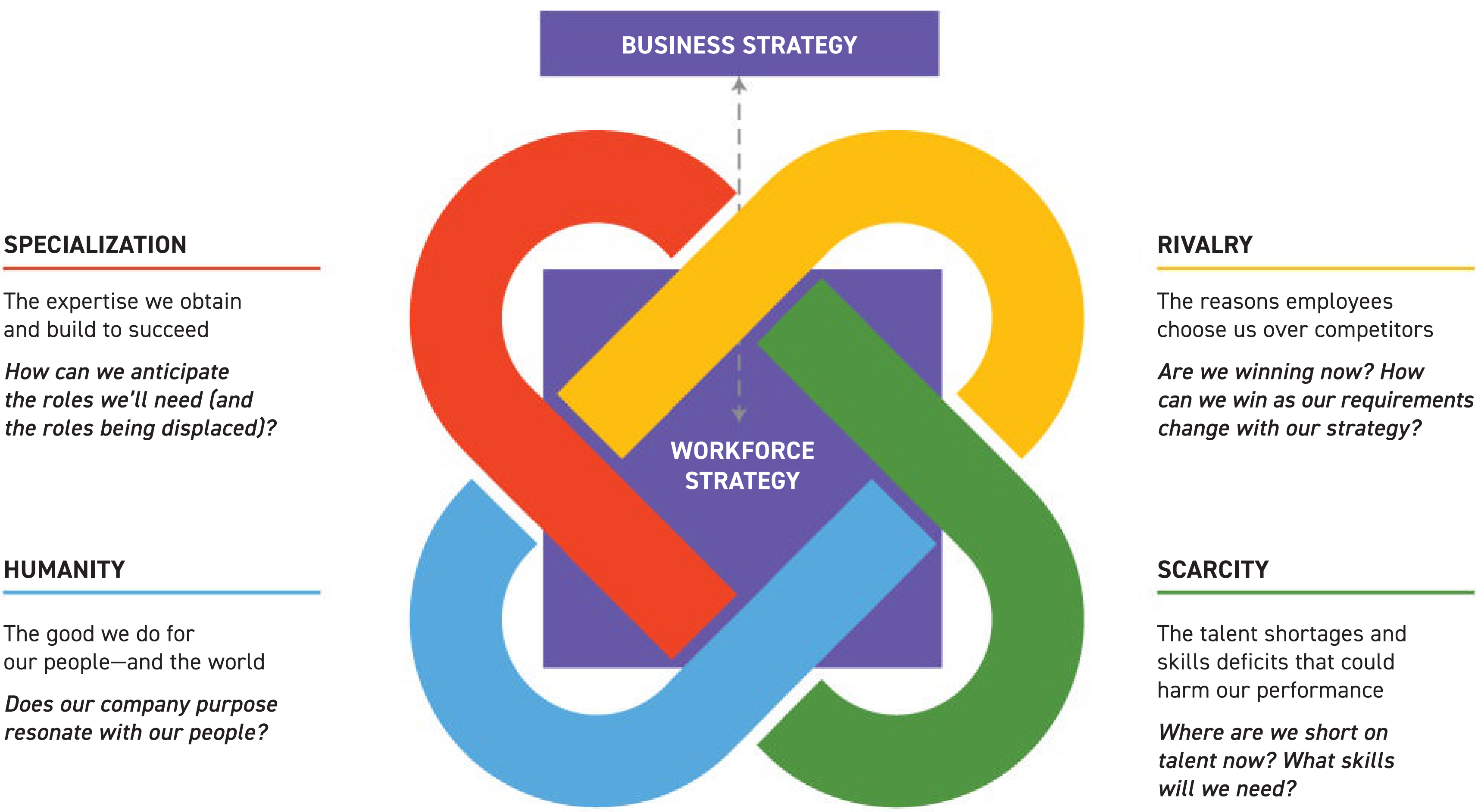
A good place to start is by grounding your thinking in a better understanding of the dynamics that your workforce strategy arises from, and that it depends on. Four underlying forces—specialization, scarcity, rivalry, and humanity—have been shaping workforces at key points throughout human history, and they're highly relevant again today. Taken together, the forces offer a framework to help companies understand the interplay between workforce strategy, business strategy, culture, and technology. For example:

• A company in the telecommunications, media, and technology (TMT) sector came to see how its workforce strategy was misaligned with its business strategy and objectives after the company missed out on a significant opportunity, in part because it neglected to anticipate the strategic need for key experts (*specialization*).

• A large financial-services company recognized that broad skills deficits among employees (*scarcity*) were contributing to poor customer outcomes—and were in fact a symptom of a bigger cultural problem the company urgently needed to address.

• A large service-sector company slowed its specialist recruiting in cities where competition was fiercest, choosing instead to build a strong presence and feeder

Navigate the interplay of four forces to create a more future-ready workforce



Source: PwC analysis

network in smaller cities with significant untapped potential (*rivalry*).

• A coalition of more than 250 companies banded together to improve workforce diversity in their own organizations, while also pushing a much wider set of collective priorities that would improve racial equity in the local community (*humanity*).

This article will highlight how companies are navigating the interplay of the four forces to help create a more future-ready workforce, and then lay out some practical steps that leaders can take in their own workforce planning. For many leadership teams, the resulting conversations will almost certainly have bigger strategic and organizational implications—and that's the point. Workforce considerations are at the heart of everything your company is and does, and by grounding your thinking in the four forces, you can keep that lesson front and center for your management team.

First, though, let's examine the forces themselves.

Meet the four forces

Four forces have shaped workforce strategies at key moments throughout human history—and they're at it again. By understanding how the forces have operated in the past, you can better prepare your contemporary workforce to weather tomorrow's challenges (see graphic on page 34).

SPECIALIZATION

Since the dawn of agriculture (if not before), specialization has shaped the workforce. Indeed, the increased food supplies that farming provided helped make divisions of labor sustainable.

Technology also encourages specialization. For example, the industrialization of the late 19th and early 20th centuries helped inspire Frederick Winslow Taylor's theory of scientific management, which influenced the mass production approaches that relied on specialized jobs and machines.

Today, digitization promotes specialization among organizations by easing collaboration. As companies focus on what they do best, they may tap external specialists or ecosystem partners for the rest. Consider how merchants rely on Amazon's e-commerce engine for sales and fulfillment tasks they formerly would have done in-house.

For individual workers, meanwhile, the effects of technology are visible in any number of highly specialized roles (think data scientists, cyber-risk specialists, or software engineers) that your company must define, harness, and anticipate. The anticipation piece is key for at least two reasons: fail to predict what kinds of experts your business will need, and you will miss opportunities; fail to anticipate how roles are changing, and what were once specialized skills may become less valuable or even obsolete. This can happen anywhere in your organization.

Consider a typical sales force. Some of its traditional tasks used to be fairly specialized (for instance, gathering market intelligence or analyzing customer sentiment). Today, they are significantly augmented by technology. Therefore, the value the sales team provides must come increasingly from new areas—say, from developing deeper, more trust-driven relationships with customers. Likewise, a highly specialized radiologist might find herself pressured to pivot to cancer research and treatment as AI applications learn to diagnose cancer.

As a leader, you face tricky questions in dealing with increasing specialization. How do you develop a view on what new skills you need and when? And where will you get them? Your access to specialized talent may be affected by factors as varied as your employee value proposition and the regulatory environment in which you operate.

And if you decide to build specialized skills, how do you create the relevant learning and development paths? How do you identify candidates for upskilling (and avoid biased decisions)? And finally, how will you organize, structure, and incentivize an increasingly specialized workforce to come together and deliver better customer experiences, higher productivity, and other outcomes that matter?

SCARCITY

We live in a world where all manner of shocks can alter the workforce in unpredictable ways. Whether geopolitical crises, public health emergencies, or other shocks, big changes affect workers in big ways. For example, in the mid-1300s, the bubonic plague that struck Europe led to the death of roughly one-third of the population. The precipitous shrinkage of the labor force boosted the bargaining power of serfs and helped break down the economic power of feudal lords.

Today's pandemic—in addition to taking its terrible human toll—has spurred a new shift in the balance of power in the workplace. Demand for labor has increased sharply in some industries, as workers have quit to seek better opportunities in new fields (or even started their own businesses).

Scarcity also emerges from technological shifts. For example, automation is creating redundancies in some fields, while a growing need for workers in advanced and emerging technologies is generating shortages in others. Demographic trends also help determine how scarce or plentiful workers are—and have huge economic and social implications.

But scarcity isn't just about head count or even dealing with the unprecedented challenges of the "great resignation"—it's also about the abundance of skills your people have. For example, your company may have the right experts and specialists in place, and plenty of workers to fill vital roles. But you may still face a scarcity problem if your workforce lacks the broad-based skills it will need to succeed. The company may have a deficit in leadership or management skills, for example, or decision-making skills, project management skills, or even interpersonal skills. Companies frequently try to address such deficits through skill-building and reskilling efforts.

Finally, the scarcity of skills outside your company also affects you. Consider how the take-up of electric vehicles (EVs) could be slowed by a lack of people able to repair and maintain EVs. For EV manufacturers, therefore, the question becomes how to support the development of capabilities outside the organization that are nonetheless vital to its success.

RIVALRY

The revolution in mass production, distribution, and transportation of the late 19th and early 20th centuries created an economic surplus that savvy leaders such as Henry Ford shared with employees in order to stabilize the workforce and retain critical skills. (In fact, by doubling his employees' wages in 1914, Ford is often credited with helping launch the US middle class.)

As a leader, you face tricky questions in dealing with increasing specialization. How do you develop a view on what new skills you need and when? And where will you get them?

Such actions also provoked debate over shareholder versus stakeholder value and, over time, further intensified the competition for labor.

Flash forward to today, when the digital revolution has created new forms of workforce rivalry. Consider how digitization has blurred traditional sector boundaries; or how the widespread move to remote and hybrid working makes geographic barriers much less relevant; or how technology companies have boosted pay for in-demand skills that companies in other industries also rely on.

As a leader, therefore, your rivalry challenge is both perennial and brand new. As always, you want your organization to stand out as an employer so you can assemble the right people and talent programs in order to bring your business model and strategy to life. But to compete in the future, your strategy might depend on your being able to attract and retain a workforce with a very different set of skills than you have today—to support your move into adjacent businesses. Consider the skills shifts necessary for Apple to move from its roots in product design into services such as banking, and health and well-being.

HUMANITY

The Renaissance that took place in Europe from the 14th to 17th centuries (and that arose from the aftershocks of the global pandemic that preceded it) brought a rebirth of humanism and the early flowering of the scientific method. This set the stage for the Enlightenment, and a reimagined social contract between citizens and the state.

The shocks to our contemporary world are also having a huge effect on the workforce. Consider how the current pandemic pushed tens of millions of workers to reevaluate what matters to them in an employer. Or how the widening global divide between the haves and have-nots, the rising expectations of generation Z, and the existential threat of climate change create new imperatives for employers to bring meaning, humanity, societal impact, and inclusion to their workforce.

Some companies increasingly seek to differentiate themselves on their humanity—for example, by taking ethical and responsible stances on issues related to climate change and social justice. When successful, such efforts help the world, and help firms attract and retain workers. Indeed, fully 75% of respondents to a recent PwC survey said they wanted to work for an organization that would make a positive contribution to society.

Similarly, if you make your workforce more diverse and inclusive—across all elements of the human experience and identity—you help society while helping address challenges of specialization and scarcity. In the book *Beyond Digital*, our colleagues highlight the example of Titan Company Limited, an India-based jeweler that invests heavily in capability building and improving the working conditions of local artisans. This helps the community while supporting a healthy pipeline of workers in jewelry production.

Finally, humanity requires you to think deeply about your company's culture, with a view to connecting (or reconnecting) people with your organization's purpose and making clear to them how they may tangibly contribute to it. When the company's purpose resonates with people, and they see clearly how they further it, not only are they more likely to stay (which could help with any of the other three forces), but they tend to be more engaged—and productive.

The relationships between the forces can themselves be a useful nudge toward valuable conversations with your team—talks that lead to insights in other areas well beyond HR or even workforce strategy.

Learning from the four forces

Given the highly interrelated nature of the forces, there's no single best way to approach them. Perhaps one force represents a pressing threat, or an exciting opportunity. If so, start there.

But don't stop there. The relationships between the forces can themselves be a useful nudge toward valuable conversations with your team—talks that lead to insights in other areas well beyond HR or even workforce strategy. Let's look at how this is playing out in practice.

The case of the sluggish sales force

A company in the TMT sector was facing slowing growth and a maturing product portfolio. The company's strategy had always focused on cost—it acquired depreciating assets from other players and managed them for maximum efficiency. This approach was reflected in people's incentives, and over time became a defining characteristic of the company's culture. Yet what had been a strength also created a worrying blind spot as the business environment changed around employees.

This became clear to company executives in the wake of what turned out to be a missed opportunity: a deal proposed by a key customer to partner on improving one of the company's products. Why was it missed? In part because the account managers whom the customer approached with the idea had a broad-based skills deficit that the TMT company's leaders weren't fully aware of (a problem of scarcity). They lacked the management skills and decision-making skills that could have helped them engage with the customer in a new, more collaborative, creative, and potentially quite profitable way.

Similarly, the TMT company's senior executives had not considered how customers might themselves be a source of innovation, let alone how this might challenge the company's long-held strategy. Consequently, the company hadn't anticipated the need for the kinds of engineers it would have required to customize the product (a problem of specialization). Therefore, even if the sales force had pursued the partnership, the company would have struggled to hold up its end.

Finally, all of this was exacerbated by misaligned incentives. The account managers were closest to the company's customers, and therefore best positioned to spot growth and innovation opportunities, but they were rewarded for keeping costs low. In other words, they weren't looking for growth opportunities because the company was effectively paying them not to.

The episode was galvanizing for the company's leadership, spurring them to ask bigger questions, starting with how the strategy ought to change to adapt to the changing environment. Leaders also began soul-searching about how the workforce strategy could better align with the future objectives of the business. It was in posing these sorts of questions that the four forces became part of management discussions.

Ultimately, the discussions about the forces helped inform the company's choices, including a move to ramp up the business's learning and development capability to upskill its workforce in targeted areas. The work is continuing, in the form of a new change program to help anticipate workforce skills requirements and match them to the various segments of the company's product portfolio.

A financial-services company connects the dots

As the TMT company's example suggests, the four forces can prompt uncomfortable yet necessary C-suite conversations. This was true at a large financial-services company. Specialized skills were not an issue here; the company had formidable pockets of specialized talent. In fact, for years it had been benchmarking specialist tech skills and employee experience metrics against top-tier technology industry players—and not just its direct competitors—to stay ahead of the curve (a smart practice that harnessed rivalry to address specialization).

Nonetheless, company executives could see they were facing a skills scarcity challenge. The organization no longer had enough people in the right places with a deep understanding of regulatory risk, or with "softer" human skills in areas such as collaboration and problem-solving. Moreover, the leaders recognized that they too needed to amp up certain skills to ensure they had the necessary end-to-end vision and deep sense of accountability. Without these things, the executives realized, the company would continue to have a hard time linking its specialists together in a consistent way across its business lines—and customers would continue to suffer for it.

Ultimately, the leadership team saw that the company needed to change its culture in order to put a greater emphasis on care and diligence, renew the organization's sense of purpose, and start rewarding how work got done and not just what (or how much) work got done. Only then could they be sure to consistently attract and retain the right people.

These realizations sparked a transformation that included improving workforce diversity and inclusion (a focus on humanity); addressing skills deficits in leadership development and succession planning (scarcity); imbuing more humanity into their culture to better attract and retain people (rivalry); and tapping into skills across a wider range of geographic locations to help address both scarcity and specialization.

A service provider gets creative

Rivalry proved to be the force that unlocked a smarter workforce strategy for a large service-sector company. Its executives had started the workforce planning process with specialization in mind—specifically, the need for specialist engineers.

But as the leaders looked more closely, some began challenging the assumption that the company needed to continue to compete strongly in major cities with the largest concentrations of engineering skills. After all, these were the same cities where everyone—including competitors from other industries—was fighting hardest for talent (rivalry).

Instead, the company's leadership stepped back and got creative. Their plan? Select a region outside the major cities and become the employer of choice there, in part by forging links with local universities, communities, and government authorities (which even offered investment incentives). Although building up the resulting pipeline of talent would take time, the leaders knew that a longer-term approach would ultimately support its business strategy more effectively than simply competing head-on in existing talent hot spots against rivals with potentially deeper pockets.

Seeking greater humanity through partnership

Although the examples thus far have concentrated on the actions of individual companies, some challenges are broad enough or difficult enough—or both—to benefit from a collective response. Achieving greater workplace diversity and racial equity (at its core a challenge of humanity) is just such a problem. To address it, more than 250 companies in the US city of Atlanta have come together under the auspices of the Metro Atlanta Chamber of Commerce to form ATL Action for Racial Equity.

As part of the effort, which launched in February 2021, participating organizations prioritize actions from shared "playbooks" that provide guidance and resources to help advance Black talent, promote inclusive economic development, expand access to education, and invest in workforce development.

The initiative encourages companies to report statistics on Black representation in their businesses and supply chains (to keep feet to the fire), and to promote a range of initiatives that, for example, improve access to credit, create safe spaces on city streets, and work to end the racial profiling of young Black men. The participants are also encouraged to revisit their hiring and development processes to align recruitment and upskilling practices with workforce representation goals. Although the program is in its early days and much work remains, the results to date are encouraging. For example, a recent survey of participants found that 82% of companies track representation of the Black workforce, and 55% assess pay equity across race. Among the participating Fortune 1000 companies, fully 80% have formal supplier diversity programs as well.

Putting it all together

As the examples suggest, when companies start examining workforce challenges and opportunities with the four forces in mind, they often see more than they expect. And that's the point: your workforce considerations directly affect everything else, including your business strategy, organizational model, and operating approach. Anything that provides more insight into these relationships and how to improve them is worth your time and management attention. Begin with three questions:

1. What's our starting point?

It's a good idea to document your position against each of the forces. Ask: Which roles risk being automated most quickly (specialization)? Where are our biggest skills surpluses and deficits—and which employees are most at risk of leaving (scarcity)? What's our employee value proposition, and how could it be stronger (rivalry)? What's our current commitment to an organizational purpose, as well as to the communities in which we operate (humanity)?

The point of this discussion is to get a clear-eyed baseline of the bets that you have already placed yet might not be aware of. Look closely for how one force might be affecting others in subtle ways.

2. Do the forces help or hinder our strategy?

UCLA professor Richard Rumelt reminds us that strategy isn't an aspiration; it's a plan. And if your strategy is a good one, designed upon a unique set of attributes or conditions that distinguishes you from rivals, then the four forces are a great (and fast) test to see where things are likely to go right—and wrong—in your strategic execution. Are you really going to hire the 10,000 data researchers next year that your strategy implies? A clear-eyed look at the four forces relative to your strategy could spark some awkward, but important, conversations.

When companies start examining workforce challenges and opportunities with the four forces in mind, they often see more than they expect. And that's the point: your workforce considerations directly affect everything else.

3. Can we translate our business strategy into workforce strategy?

Winning companies create differentiation. What's the unique value your company creates, and what must your people be uniquely good at to make it happen? And by contrast, where are your efforts better spent on creating partnerships and ecosystems?

Now, with this in mind, take your starting point from the first question and look ahead, say, five years. What force shifted the most or the fastest? Where might you be the furthest ahead, or behind? What moves have your competitors been making to undo your plans?

To make these discussions rigorous, use a scenario-based approach—and be prepared to revisit and adjust your scenarios regularly to maximize their efficacy. In a recent PwC survey of business and HR leaders, respondents whose companies used both scenario-based planning and dynamic planning (to revisit strategies and reallocate funding as needed) were nearly twice as likely to say their company had met or exceeded its financial and other targets. This resonates with our experience, which suggests that the most successful companies find ways to keep an eye on the long view, even as they address their more pressing, short-term workforce challenges.

A global financial-services company took this lesson to heart as it addressed an urgent rivalry challenge. Though the company was consistently losing people to competitors, its leaders recognized that their best hope would be in taking the time to invest in a multiyear commitment to strengthening elements of the company's humanity. The organization dramatically increased efforts to help local communities, made meaningful environmental, social, and governance (ESG) commitments, and doubled down on purpose (and followed its commitments with action). The company carried this spirit through to its reskilling efforts, going so far as to make learning and development a distinctive part of the employee value proposition. By showing employees that leaders were committed to helping them learn and grow, the company has over time improved its relationship with clients and strengthened employee engagement, retention, and productivity. The company's rivalry problems are now largely behind it. Now, it is the one luring people away from blue-chip rivals. ✚

Resources

Luna Corbetta and Barbara Poenisch, "Do sweat the small stuff when it comes to inclusion," *s+b*, Jan. 11, 2022: Many employees feel that their leaders' everyday actions don't match their words. So what can be done to build trust?

Denise Hamilton, "Turn the 'great resignation' into the 'great renegotiation,'" *s+b*, Feb. 8, 2022: Encouraging employees to approach you with their wish lists might seem counterintuitive, but it may just be the key to retention.

Paul Leinwand and Mahadeva Matt Mani, *Beyond Digital: How Great Leaders Transform Their Organizations and Shape the Future*, Harvard Business Review Press, 2022: Winning in today's world requires more than digitization. It requires understanding that the nature of competitive advantage has shifted—and that being digital is not enough.

More thought leadership on this topic:
strategy-business.com/organizations-and-people

NAVIGATING THE NEW WORLD OF WORK

WHETHER THEY RUN ORGANIZATIONS in telehealth, advertising, or aviation, CEOs around the globe are facing common challenges in finding, hiring, and developing talent.

Illustration by Quick Honey

Featured CEOs

Alain Dehaze
The Adecco Group
Headquarters: Switzerland
Industry: Talent solutions
CEO since: 2015
CEO insider/outsider: Insider

Wendy Clark
Dentsu International
Headquarters: United Kingdom
Industry: Marketing and advertising
CEO since: 2020
CEO insider/outsider: Outsider

Andrew Slater
Whakarongorau Aotearoa
Headquarters: New Zealand
Industry: Healthcare
CEO since: 2015
CEO insider/outsider: Outsider (the organization's first CEO)

More than two years into the pandemic, employers are wrestling with what it means to return to normal. Even though COVID is still with us, workplaces are moving beyond stopgap solutions and emergency measures. For many companies, this means experimenting. Some have announced plans to bring employees back to the office en masse. But such decisions could come at a high cost—large numbers of people are wary of a full return because of health concerns or a preference for greater flexibility. And in today's tight talent market, dissatisfied workers can vote with their feet, leading to high turnover. Other companies are doubling down on remote or hybrid models, which raises questions about how training, mentoring, and culture will need to evolve.

In recent conversations with chief executives, conducted as part of our Inside the Mind of the CEO interview series, we heard about such challenges firsthand. One CEO runs a global talent solutions company; another is working with clients to reimagine the traditional office. Elsewhere, company leaders have shared their experiences managing talent shortages and turnover, and engaging employees in ways that are more purpose-led and tech-driven—at businesses as diverse as a telehealth company in New Zealand, a UK-based global marketing and advertising firm, a Canada-based business aviation manufacturer, and an Indian engineering and construction conglomerate. Each CEO's story is unique to his or her company's industry and the countries in which the company operates, but we also see universal themes emerge.

Such themes are reinforced in articles throughout this issue, underscoring the imperative for a new approach to workforce strategy—one that is equipped to meet short-term demands but that is also prepared to serve the business's long-term needs (see "Meet the four forces shaping your workforce strategy," page 32). It's an imperative that CEOs are grappling with in real time, as they navigate the new world of work.

Laura W. Geller
SENIOR EDITOR

S.N. Subrahmanyan
Larsen & Toubro (L&T)
Headquarters: India
Industry: Conglomerate (engineering, procurement, and construction; high-tech manufacturing; and financial-services and technology sectors)
CEO since: 2017
CEO insider/outsider: Insider

Christian Ulbrich
Jones Lang LaSalle (JLL)
Headquarters: United States
Industry: Real estate services
CEO since: 2016
CEO insider/outsider: Insider

Éric Martel
Bombardier
Headquarters: Canada
Industry: Business aviation
CEO since: 2020
CEO insider/outsider: Outsider

These are edited and condensed versions of longer interviews with the featured CEOs. The full-length interviews can be found at strategy-business.com/inside-the-mind-of-the-ceo.

"The 'great resignation' is a reckoning on whether we've thought about the lived experience of working at our companies."

Wendy Clark
DENTSU INTERNATIONAL

CONFRONTING THE TALENT CHALLENGE

DEHAZE: Ultimately, the "great resignation" is being driven by people—especially the younger generation—reevaluating their choices. They are asking themselves: what do I want to do with my life? And having a purpose-driven life is becoming increasingly important to them. Some people have also discovered a new way of life during the pandemic; perhaps they left a big city and don't want to come back.

In some countries, this talent scarcity has been nurtured by people retiring faster than anticipated. The US has lost 2 million workers during the pandemic [due to early retirement], shrinking the labor force and accelerating the war for talent. All told, these trends have led to intense recruitment activity. This was surprising to us given where we are in the recovery cycle. In past recovery cycles, we mainly witnessed a rise in temporary staffing, because companies lacked visibility about the future. Companies now think, if they want to attract people, they need to offer them a permanent job immediately.

CLARK: The great resignation had a deep impact on our business and on our clients' businesses. The challenge for us as a service company is that our clients count on us. We're often the last line of defense. I had clients coming to me asking, "Can you second employees to us?" And there was the issue of the incremental weight of the business on the people who were filling the gaps of those who left while we replaced roles. I worried about them, as well.

Make no mistake—the great resignation is a reappraisal of leadership. It is a great reckoning on how we're leading our companies and whether we've really thought about the lived experience of working at our companies. I have never felt a more profound sense of my "duty of care" toward our people.... We fundamentally believe in our ability to create growth from good, both for ourselves and for our clients. This is critically important, if not nonnegotiable, to our people, certainly to millennials and gen Z, who now comprise the majority of our workforce—our median age is 32. They're built-in advocates within our organization.

SLATER: My worst days in COVID were early on, when the morning disc jockeys on the radio were calling in on our [telehealth services] lines to see whether we'd answer the phone by the end of the show, because the sudden spike in demand from COVID was slowing our operations down. There's nothing more distressing for a chief executive than hearing that on your way in to work.

We've had to build the capacity to manage our COVID outbreak response—we had to scale really quickly. This has meant building an operating model that can quadruple capacity on the front line if there's an increase in COVID cases in the community. We're also responsible for the surge capacity necessary for contact tracing, which could require us to expand our staff manyfold in a week's time.

Finding solutions during the pandemic was a reminder of the value of working with people that you trust. For example, someone I knew also knew the CEO of a travel agency who had just served his staff redundancy notices because the border was closing, and travel was plummeting. We both trusted this one person, and he connected us. And within 24 hours, more than 600 of his call center staff had been trained and were answering our calls.

> **"In the first phase of the pandemic, our 280,000-strong labor force was down to 70,000. With active outreach, we were able to bring many laborers back."**
>
> ***S.N. Subrahmanyan***
> **LARSEN & TOUBRO (L&T)**

SUBRAHMANYAN: During the pandemic, our EPC [engineering, procurement, and construction] projects and manufacturing work were impacted the most, because they are highly dependent on labor. In the first phase of the pandemic, our 280,000-strong labor force was down to 70,000. With active outreach, we were able to bring many laborers back to our worksites. But then the next wave of the pandemic hit, and our numbers dipped again—and we had to again convince people to come back to work, assuring them of their safety and well-being. We implemented new standard operating procedures and digital solutions to enable social distancing. For instance, at a worksite, there would be five people handling a job instead of ten. All these changes resulted in project delays and a decrease in productivity.

CREATING A HYBRID WORKPLACE

ULBRICH: The office needs to be a place for collaboration and connection—a place where you touch and feel the company's brand and purpose. That is what buildings have to deliver, and they have to deliver it in a consistent way. Commercial real estate is also moving away from monoliths that are built in an area but aren't really integrated into that area. This is true of the architecture itself, but it's also about how space is being used. For example, there's so much meeting space in buildings that is completely empty from 7 p.m. onward that you could make open to the public by hosting community events.

Consider JLL's Shanghai office, which is hard to even tell is an office.... You walk in, and it looks more like the lobby of a designer hotel, with green [planted] walls and water coming down the walls. Coming into that office feels more like entering a recreation center than a workplace. On the main floor, there is a gym and there are yoga classes taking place. Desks only take up about 25 to 30% of the overall building space. There is a floor that we call a collaboration space, where in the evening we have pop-up shows and exhibitions for our employees, clients, and friends. Because of these features, people see the office as more than just a place where they work.

As this trend spreads around the world, desk space will go down significantly. But that doesn't mean that demand for overall office space will go down. The amount of experiential space, as you might call it, will increase even faster than desk space can be freed up. This shift will require customization based on local preferences and job profiles. It will also require cultural transformation within organizations. Tell experienced partners at some large firms that they won't have a personal office anymore, and they will say, "I don't want to sit with everyone else." That's a real challenge. But we have to do it, because if we don't, people will leave.

MARTEL: During a pandemic, there's no way you can build a cockpit or a wing in your basement, so we have to keep the factories running. This is probably the one thing that kept me and my management team awake at night. The good news is that we haven't lost efficiency during the pandemic. We implemented mask protocols early on. And we've been pushing hard on vaccination, too. We opened our own vaccination center. Our main priority is to protect our employees and our operations, and we're doing this successfully.

> **"My salespeople are still traveling, but they do a lot more from home than they used to in the past. We'll likely have a hybrid model moving forward."**
>
> ***Éric Martel***
> **BOMBARDIER**

For other types of jobs, we discovered that we're capable of running this company with many employees working from home. Yes, my salespeople are still traveling, but they do a lot more from home than they used to in the past. But at the same time, we're all human. We need to get together, and that's happening in a limited way. Truthfully, we'll never go back to having people in the office five days a week. We'll likely have a hybrid model moving forward.

We're thinking about exactly how we're going to set ourselves up to be successful in attracting the best young talent available. Bombardier is going to lose many employees in the next five years to retirement. We need to keep the people we have, and we want to be the employer of choice for younger people who have a different way of seeing the world today.

DEHAZE: If we look at our recruitment activities in the US, we see that 50% of our customers' posted jobs can be performed remotely. If, as a company, you don't offer this flexibility, you are creating a competitive disadvantage. In many industries, but especially in technology, people are leaving their current roles for companies that allow them greater flexibility. Related to this trend, companies need to rethink how they measure and value productivity. In a recent study of 14,800 workers in 25 countries, we found that 73% [of respondents] want performance to be measured by outcome rather than hours worked.

> **"In many industries, but especially in technology, people are leaving their current roles for companies that allow them greater flexibility."**
>
> ***Alain Dehaze***
> **THE ADECCO GROUP**

[Our company] conducted an internal survey to see what our employees were thinking about remote work. Three reasons to work from the office at least 50% of the time emerged: culture, coaching, and collaboration. First, we found that organizational culture cannot be transmitted through digital channels alone. Second, we found that physical presence is crucial for coaching, especially where newcomers are concerned. Last, while a lot of effective collaboration can and does happen remotely, there are some cases—for example, a multidisciplinary research project—where in-person meetings are productive and valuable. This is why we ask our people to be at the office at least two days per week, with their whole team. Each team can decide when it wants to be in the office, as long as it has those two days together.

ENGAGING EMPLOYEES

SLATER: We have a native plant here in New Zealand called the *toetoe* that's been used to fish deep in the water by Māori since before European settlement. I like to ask, how do we *toetoe* people out from the depths and help them grow? We aim to identify our strongest talent with a few simple questions that we ask every leader: who on your team could do your job if you got hit by a bus today? Who could do it in a year's time? And who could do it in three years' time? They can't choose the same person for all three scenarios. And then we think about what the people they have named need in those time frames to be successful. We have an in-house leadership development program where we are relentless in upskilling; we make sure all our leaders know and can operate our management systems so they appreciate and understand how prescribed we need to be about keeping it all flowing.

> **"To earn the trust of your employees, you need to be transparent and honest, give context, and change things. We're accountable as leaders."**
>
> ***Andrew Slater***
> **WHAKARONGORAU AOTEAROA**

Too often, organizations spend so much energy building mechanisms, processes, and procedures that end up actually creating or reinforcing distrust. To earn the trust of your employees, you need to be transparent and honest, give context, and change things. At the heart of this issue of trust is the fact that we're accountable, as leaders, for reinforcing the reality that we want other people to enforce. If everybody, for the rest of the month, told you that the sky had turned pink, you would eventually doubt your own perspective. It is in these "pink sky moments" that we need to help reinforce what's best; to help our staff with the reality of reinforcing trust through our own actions.

CLARK: Although we certainly have more work to do, we really amped up our internal communications and increased everyone's accessibility to leadership. I do a monthly call with the entire organization—anyone can join and ask any questions they want, and they can do so anonymously. I've gotten some incredibly tough questions, which I answer, even when I have to admit that my answer may not be perfect or necessarily what some people may want to hear.

[As a result of this transparency,] I think we have taken the temperature down on some of the issues that have been particularly hot. For example, there have been ongoing debates around remote work. We've been clear about our adoption of a hybrid model, with no mandatory return to the office, except where certain roles require it. People continue to feel jittery, so we just need to keep repeating that we are committed to modern ways of working. Of course, there are things we can do from the office that we can't do from our homes. I look at this as a marketing job—to create massive FOMO of what's going on at the office to draw people back, rather than forcing them back.

MARTEL: At the height of COVID-19, we found that our engagement level was lower. We focused on improving our communications. For example, right now, we're working on a plan for how we should be communicating with our people to inform them about what the company is doing, why we're doing it, and how they can be part of the solution. We've made a point to bring people together in person for meetings and team-building activities—in a safe and responsible way—and have greatly increased our use of technology to keep people connected. That focus on communication has really improved employee engagement.

But it's not only about communication. It's about understanding what employees want and making sure we're delivering that. Are we an employer of choice? Are we hitting the criteria for what people want to see their employer doing? We are having this dialogue with employees as we speak.

BECOMING TECH-ENABLED

SUBRAHMANYAN: If you look at our Hazira facility, it has come a long way; today, we could label it Factory 4.0 or 5.0. In the past, workers would come in to work at the site under the scorching sun at 9 in the morning, go for lunch at 1, come back to work at 3 in the afternoon, and wind up work at 5 in the evening. Today, three welding jobs are handled by a single welding expert sitting in a small, air-conditioned cubicle. The worker controls the workstation, monitoring everything on the computer screen. This work can be carried out from anywhere because it is an internet of things station.

In addition, safety measures for workers are taught through augmented and virtual reality. When a worker climbs a transmission line tower, he or she wears a HoloLens [mixed reality headset]. Using multiple sensors, advanced optics, and holographic processing that melds seamlessly with its environment, these holograms display information, blend with the real world, or even simulate a virtual world and show the worker how to go about the task safely.

> **"In a hybrid situation, you need meeting rooms to become media rooms, where you have all the tools teams need to feel like they're working together."**
>
> ***Christian Ulbrich***
> **JONES LANG LASALLE (JLL)**

ULBRICH: The pandemic has accelerated the need for technology within work spaces. One example is an increased need for sensors. You need to know where your people are in the office and how they're using the office so that you can take necessary safety measures. In a hybrid situation, you also need meeting rooms to become media rooms, where you have all the tools teams need to feel like they're working together, even if some people are at home and some are in the office.

Pre-pandemic, you would know that on Monday, your offices would fill up, and they would stay full until Friday afternoon. It was easy to run meetings, make announcements, and offer opportunities for collaboration. Now, it's complicated, because you don't know who is showing up when. You might also need technology for booking certain seats in a bank of desks to ensure that team members can sit near one another.

Though technology and data are the key pillars of any business now, the real estate industry has traditionally been slow to embrace them. Until a couple of years ago, buildings had very little technology embedded. That is changing now, and technology integration has significantly accelerated. ✚

Resources

For more of our CEO interviews:
strategy-business.com/inside-the-mind-of-the-ceo

For more about how PwC is empowering the workforce:
pwc.com/gx/en/services/people-organisation/workplace-evolution.html

More thought leadership on this topic:
strategy-business.com/the-power-of-people-reimagined

Maintaining network connections

As we redesign work for the hybrid future, it is vital to understand the ways that information flows and networks form within organizations.

BY LYNDA GRATTON

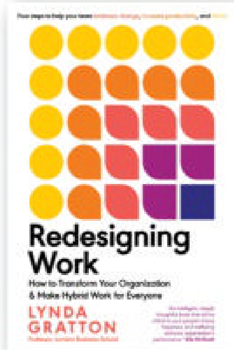
Our collective experience in the pandemic created a once-in-a-lifetime opportunity to rethink what we want from work and our working lives. We had a chance to question many fundamental assumptions, adopt new habits, and form new narratives about how work gets done. The experience also confronted corporate leadership teams with the challenge of how they would respond. Would they stay with their old ways or embrace the opportunity to be bold and redesign systems to make working a more purposeful, productive, agile, and flexible activity?

This effort to redesign work is well underway. And as we confront a new hybrid future, it is important that we take the valuable lessons learned during the pandemic with us. One of those lessons, which I've observed based on my research and advisory work, surrounds the topic of connections and networks—and their importance in building culture and getting work done.

Illustration by Patrick Hruby

Lynda Gratton
is professor of management practice at the London Business School and founder of the consultancy practice HSM Advisory. She is the author of ten books, including *The Shift*, *The Key*, and, with Andrew J. Scott, *The 100-Year Life*.

Adapted from *Redesigning Work: How to Transform Your Organization & Make Hybrid Work for Everyone*, by Lynda Gratton.



Above: MIT Press, 2022.

To begin to reimagine work, you have to create a deep understanding of how your company works. And that involves developing an understanding of the different types of jobs within the business, the tasks that they involve, and the behaviors and capabilities that support productivity. But the classic description of job tasks and the related element of productivity assume an almost static process, which is essentially about the individual. In reality, people, the tasks they perform, and the jobs they do are embedded within networks of human connections. Through these connections flow knowledge, insight, and innovation. One of the major insights from the experience of the pandemic is how important these often-overlooked human connections are to organizational health and vitality. In general, networks shrank. That's because people working from home spent more time with those they already knew well and less time with people they knew less well, and they created far fewer new friendships.

It is also important to understand networks and knowledge flows because any redesign of work can inadvertently disrupt them. It is no surprise that the potential disruption of networks and knowledge flows is at the heart of two major concerns about the redesign of work: the socialization of the young and the possibility of serendipitous encounters. We learned that lack of face-to-face connectivity was particularly tough for young people as they joined companies without being around people in an office environment. And there is widespread fear that young joiners to a firm will suffer if they work from home, as they will not be able to observe and network with more experienced members of the firm.

In addition, there's anxiety that the watercooler conversations and serendipitous encounters that happen when people simply bump into each other will be diminished. Andy Haldane, former chief economist at the Bank of England, explained to me: "Exposure to new and different experiences—sounds, smells, environments, ideas, people—is a key source of creative spark. These external stimuli are fuel for our imaginations, and the imagined, made real, is what we typically mean by creativity. Home-working can starve us of many of these creative raw ingredients—the chance conversation, the new person or idea or environment. Home-working means serendipity is supplanted by scheduling, face-to-face by Zoom."

These concerns are real and valid—and so, before decisions about the redesign of work are made, you need to have a view of the current structure of networks and knowledge flows and use it to consider how the models of the redesign of work will change them.

Tacit vs. explicit knowledge

Not all knowledge is the same. Some knowledge is *explicit* and objective: it's easy to write down and access, and it moves with ease across your business. It's carried by manuals, websites, and handbooks. In companies with a history of working virtually, much of the design of work is about making explicit as much knowledge as possible. That benefits new joiners and new team members, who can quickly get up to speed on how projects work and the skills of their colleagues.

Yet much of the valuable knowledge that resides within a company is *tacit* knowledge: the insights, know-how, mental models, and ways of framing that are held in the minds of individuals and are part of how they see and interact with the world. Because this knowledge is held in the minds of individuals, it is much

If the redesign of work in your company includes changes to place and time, such as working from home, then this will inevitably impact networks.

more difficult than explicit knowledge to express and codify. Indeed, there is a view that you can only really access another's tacit knowledge when you know them and when you trust each other. So, while explicit knowledge stands outside of relationships and is codified in manuals and websites, tacit knowledge fundamentally resides within relationships.

If the nature, extent, or depth of these relationships is changed by the redesign of work, then the fear is that this precious commodity will suffer. So in the jobs that you are looking at, consider what knowledge is important to be productive in that job—how much is explicit in the sense that a new joiner could easily find this knowledge, and how much is implicit. If your proposed model of work will require more virtual working, then you need to consider investing in more knowledge-capture processes to create more explicit knowledge.

Strong ties

By the spring of 2020, still early in the pandemic, it became apparent that changing work patterns, and particularly working from home, were impacting the development and maintenance of human connections and networks. We quickly learned that many people were spending more of their time with people they already knew. Often these strengthening bonds turned out to be crucial to positive feelings of worth and mental health. In those tough situations, people were taking solace from their nearest and dearest.

Yet at the same time, people's relations with their broader network of colleagues, associates, and more distant friends began to erode. Here are two comments from managers I noted in my daily journal in mid-2020—when many had already experienced six months of lockdown: "Some of the people in the team who are working from home are feeling very lonely. If they are naturally extroverts, this is really impacting their happiness and well-being"; and, from another manager: "At the moment, what really concerns me is the pressure on networks. People are getting close to each other and, frankly, that's been a lifesaver for many over the past months. But what has happened to the watercooler moments? It's impossible when everyone is at home to just accidentally bump into people."

What is happening here is almost below the surface. Most of us don't systematically track our networks, and few companies have empirical data on how knowledge flows within and across their business. Yet it is clear that if the redesign of work in your company includes changes to place and time, such as working from home or adopting a revised schedule, then this will inevitably impact networks. That's why it is so important to understand how networks work and how your redesign ideas will change them. The networks framework on page 54 illustrates some of the key concepts.

The foundational concept is *ties*: the relationships that connect one person to another (each person in the network is shown as a node). These ties vary on a continuum from strong to weak. Most of us have relatively few strong ties; these are with the people we know well, whom we trust, and whom we can turn to for help and support. There is often a sense of balanced reciprocity in these relationships: people are happy to give to each other, but if one regularly takes more than they give, then over time the relationship will begin to deteriorate. Those you have strong ties with are people who know and understand you and who can empathize with your situation. (In the networks framework, these strong ties are shown by black lines.)

Most of us have relatively few strong ties; these are with the people we know well, whom we trust, and whom we can turn to for help and support.

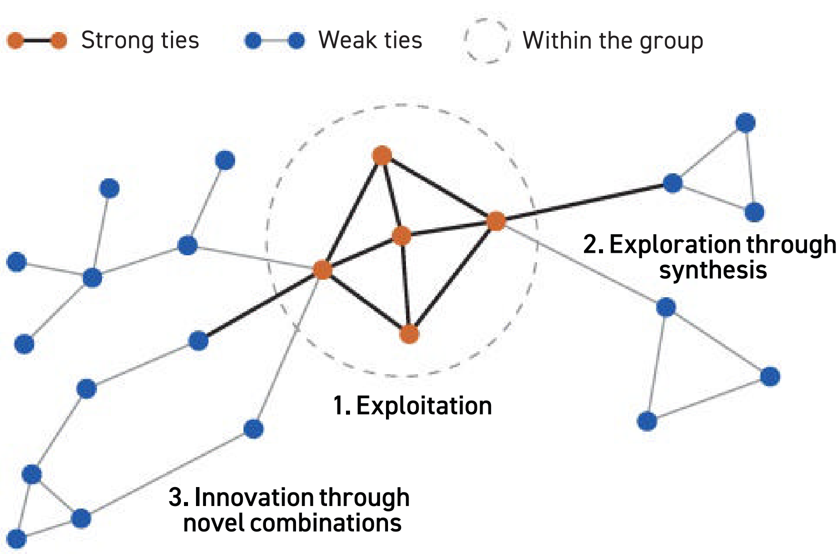
It turns out that with regard to the redesign of work, proximity is a significant driver of the formation of strong ties. Who you sit next to in the office and who you are likely to bump into in the corridor have a significant impact on how these strong ties are formed.

This powerful driver of proximity occurs throughout our lives. Take college friendships. There are potentially hundreds, possibly thousands of students with whom you could form lasting relationships. Yet as those researchers who have tracked these relationships have discovered, the probability is that your closest and longest-lasting friendships will be formed with students rooming in adjacent dorms. In fact, in a series of studies, researchers were able to compute a direct correlation between the degree of friendship and the dorm distance: the closer the dorm, the greater the probability of creating a long-lasting relationship.

It's the power of proximity that is such an important factor in the design of offices. If, for example, all the marketing team sit closely together, they get to know each other better, but they often fail to build relationships with other teams located on different floors—or even perhaps across the corridor. Using the power of proximity is crucial for the design group Arup, which has more than 15,000 specialists working in projects spanning 140 countries. As Arup principal Joe Correnza, who is based in the company's Melbourne office, told me: "Bringing ideas from across all our disciplines is crucial for us. In the office we have engineers, designers, planners, technical specialists, and consultants. We want them to talk with each other and bounce ideas off each other. One of the ways we do that is, within the office, to move teams from one place to another around every quarter."

These strong network ties can be important to *exploiting* the knowledge individual team members have (shown in the center of the networks framework). Because they know each other well and trust each other, they are more likely to share their tacit knowledge. Yet while these networks of strong ties are excellent at surfacing tacit knowledge, they are less able to create new ideas. Why? Because people are conversing about what they already know, and their familiarity with each other's ideas means they are unlikely to encounter concepts that are new to them.

A network framework for understanding the impact of strong and weak ties on the diffusion of knowledge



Source: *Redesigning Work: How to Transform Your Organization & Make Hybrid Work for Everyone*, by Lynda Gratton

Weak ties

At the other end of the spectrum of relationships are weak ties (shown in the networks framework as a gray line). These represent the links to the hundreds of people you are associated with. These are the acquaintances you meet less frequently and to whom you have little emotional attachment. You know something about them—for example, they would probably reply to an email you sent them—but you don't know much about their interests or family. You have many more of these weak ties because they take less time and resources to maintain. Indeed, you may have many hundreds or even thousands of such connections on social media. Yet you probably devote less time to these large but weak networks than to your small number of strong ties.

The value of weak ties lies in their number: they have value precisely because there are so many of them. This was shown in one of the classic studies of networks carried out by Stanford University sociologist Mark Granovetter, who studied the ways in which people found a new job. (This research, by the way, preceded the growth of online job-search platforms such as LinkedIn and Monster, which have the potential to create thousands of potential job connections.) What he found was that when someone is looking for a new job, it is rarely a person they know well who originally suggests one. It is more likely to be a friend of a friend. Granovetter discovered that within groups of people who know each other very well, there is much overlapping knowledge. So, if one of your close friends hears of a vacancy, it's likely that you'll also hear about it—because you have overlapping networks—and will pass that information on to another friend who is looking for a new job. It is through friends of friends—the power of weak ties—that new information is distributed, and it is here that serendipity often occurs.

In the networks framework, you will notice that two members of the inner group have strong ties to members of other groups. These are *boundary spanners*, people who link two different networks together. When two distinct networks have very limited overlap in membership, it creates what sociologist Ron Burt calls a "structural hole" in terms of the fields of knowledge. A boundary spanner whose relationships connect the two camps can bring together completely different domains of knowledge—and the possibility of *exploration through synthesis*. Boundary spanners are in a position to explain the groups to each other, to point out areas of overlapping interest, and to encourage people to question their basic paradigms and ways of working. As you think about the redesign of work, it's worth considering who the boundary spanners might be in your own organization: does the redesign create natural channels for them to connect to others, or are you inadvertently blocking off these important channels?

Having many weak ties provides an exciting opportunity for people to connect beyond their immediate group into the wider community. This is important because it offers an opportunity to be innovative and generate *innovation through novel combinations*.

The possible impact on these novel combinations was one of the greatest concerns for business during the pandemic. Many commentators talked about those watercooler relationships. They began to realize that an office could be not only a place of close proximity but also a place where people had serendipitous encounters. There was a deeper anxiety that when people worked from home, such encounters—and the creative sparks they set off—would be dramatically eroded. This is an important consideration as you redesign work. It highlights the importance of those precious times in the office to both create proximity and encourage serendipity.

Technology and network ties

There is no doubt that one of the distinguishing features of the pandemic was the speed at which people adopted technologies such as Zoom and Microsoft Teams and the capacity of these technologies to deliver a low-cost, high-reliability service. We are beginning to realize that these technologies could play a crucial role in transforming how networks are formed and how knowledge flows.

In our strong network ties—with people we know well and trust—we naturally pivoted toward video meetings. But what of those relationships with people we didn't know so well—the weak ties? Consider companies such as the Swedish technology group Ericsson, which is using online platforms to host conversations among many thousands of people over a period of three days (see "Let's talk about how we work," below). Might these virtual conversations be the base from which new networks are created—ones that could remain weak but could also strengthen as people catch up individually on video meetings?

Are these virtual connections the same as meeting people face-to-face, and are they likely to be the basis of serendipitous connections? Frankly, we don't know yet.

Let's talk about how we work

Recently, the Swedish technology company Ericsson invited its employees to take part in an important conversation.

In 2019, Ericsson asked 3,750 leaders and managers to have a virtual conversation over a 75-hour period about the future and values of the company. The following year, plans were made to broaden the conversation to discuss how potential new ways of working might affect Ericsson's culture. All 95,000 employees from around the world were invited to engage in an in-the-moment, moderated conversation.

On April 28 of that year, just two months into the pandemic, more than 17,000 people participated in this virtual exchange. They created more than 28,000 conversational threads, which addressed issues such as how working during the pandemic had created both challenges (such as lack of social contact) and benefits (such as increased productivity through reduced distraction).

The process created a shared sense of collective destiny and allowed people to hear from others outside their immediate circle. It meant, for example, that someone in an administrative role could have a real-time, unfiltered conversation with the CEO, or a software developer in India could talk at length to a customer relations person in Germany.

An important feature of the process was the introduction of teams of facilitators, who engaged and supported those on the platform, encouraging them to have a much wider conversation. The facilitators gave people confidence to speak out by using prompts such as "Could you tell me more about this?" or "That sounds interesting" or "Do you have an example of how this worked for you?" The facilitators also engineered new encounters by connecting people with others who were following a similar conversational thread.

This process of co-creation engaged employees directly in the conversation, so everyone who participated had a better idea of what others felt, the choices and trade-offs they faced, and how those choices and trade-offs measured up to their own experience. "People could empathize with each other as they listened to and shared their own stories," said Selina Millstam, vice president and head of talent management at Ericsson. "And from a process perspective, it brought to light the many experiments and work-arounds that were taking place across the company."

These are extraordinary, transformational times. We have a chance now to fundamentally change our relationship to the work we do, to our organizations.

Certainly, during lockdown, I made a couple of really good serendipitous connections with people I had not known previously. And after connecting with them over video conversations, I felt I had begun to know them relatively well. Remember also that, looking forward, there is sure to be an avalanche of innovation around human connectivity. There is already much excitement about the possibilities of virtual and augmented reality in building and supporting networks.

An understanding of the role that weak and strong ties play in building and maintaining networks should inform the redesign of work. As you consider the current networks and knowledge flows in your business, bring a group together, and, using the networks framework on page 54 as a template, draft what you think were the pre-pandemic networks and knowledge flows that were central to those jobs. Ask: Were people primarily in tight network groups? Were there people who were boundary-spanning to other groups? Did people have broad, weak ties to many others both within and outside the business?

As you think about the current reality in your business, consider how these networks and knowledge flows are operating. Has there been a shift in weak and strong ties? If so, what impact might this have on the way that tacit knowledge flows and the possibility of new combinations of knowledge?

Finally, consider the impact of technologies such as videoconferencing or virtual platforms on how these networks are formed and maintained. In what way are they substituting for face-to-face connections? What are the potential challenges, and also the benefits?

These are extraordinary, transformational times. We have a chance now to fundamentally change our relationship to the work we do, to our organizations. We will transform this relationship by redesigning work. There is no doubt that there will be obstacles along the way on our transformational journey, and that our courage and taste for experimentation will be tested. Yet as I look at how people around the world are stepping up to debate, cooperate, and build, I am convinced that we can create a future that will support us in being not only more productive in our work but also more fulfilled. +

IT'S TIME TO CHALLENGE THE STATUS QUO AT FAMILY BUSINESSES

NEXT-GENERATION LEADERS NEED TO PRIORITIZE ENVIRONMENTAL, SOCIAL, AND GOVERNANCE ISSUES TO BUILD THEIR OWN LEGACY.

BY PETER ENGLISCH

FOR THOSE FORTUNATE enough to be born into a family that operates a successful family business, it often feels like walking a predetermined path. The goal is clear: to take over from the previous generation, add value to the enterprise, and pass it on to the next generation. More often than not, the journey starts with an MBA, followed by stints working in different parts of the firm. But the pressures of succession, the need to win in a rapidly changing world, and the desire to carve out one's own path are real. Vincent Fong, a member of the fourth generation of his family's multimillion-dollar Hong Kong real estate business, understands that tension well: "It's completely normal to want to prove yourself, if you're second or third generation in a successful family business."

Illustration by Dan Page

Peter Englisch
peter.englisch@pwc.com
is the global family business and EMEA entrepreneurial and private business leader at PwC. Based in Essen, he is a partner with PwC Germany.

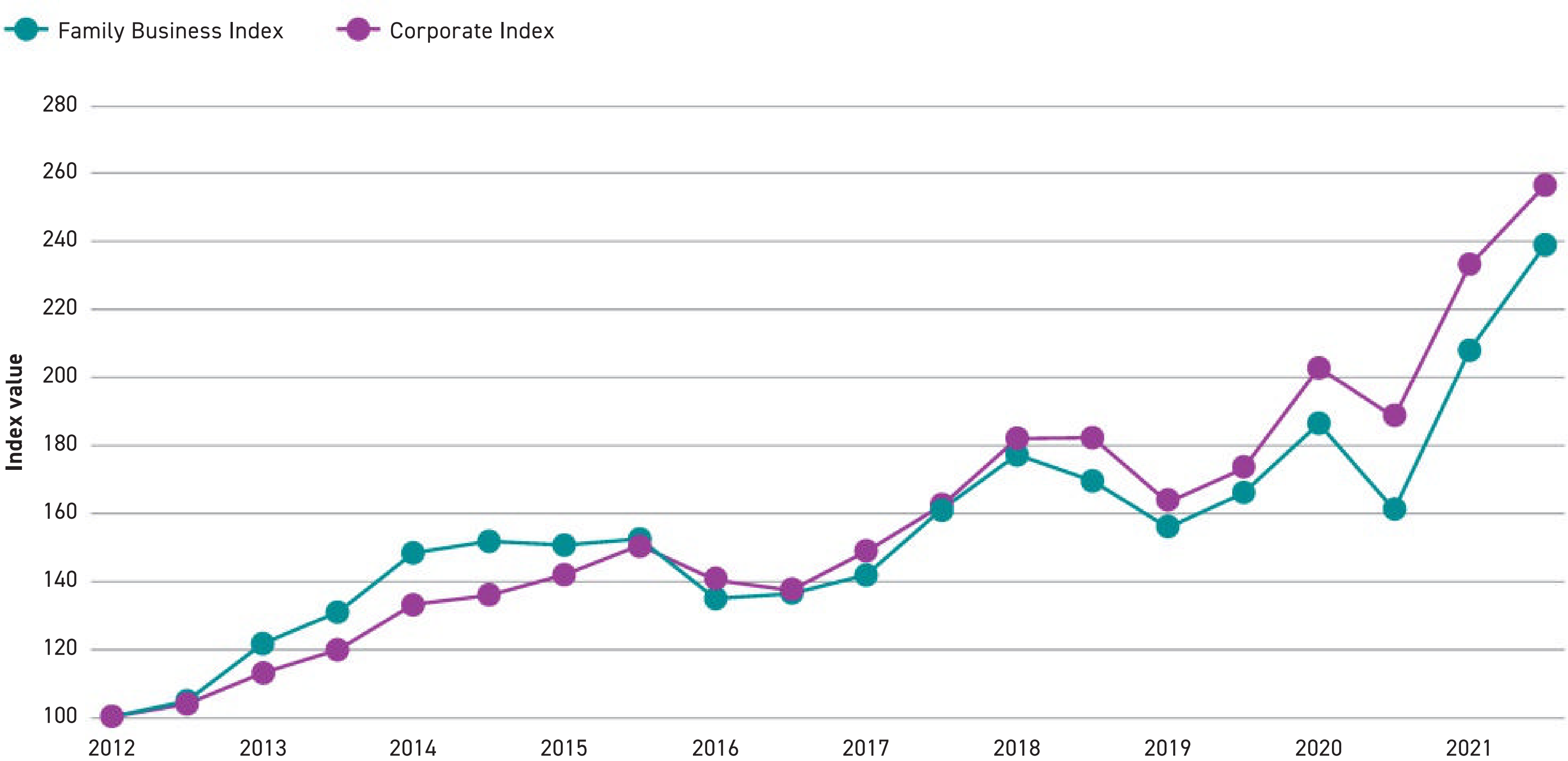
The crucial question is, how? How can members of the next generation act as responsible stewards of the family legacy while also being catalysts for necessary change? After all, the strategies that got a business through its first 50 years will not be sufficient for the next 20 years—or the next ten. Business as usual isn't an option in a world characterized by economic disruption, uncertainty, and the threat of climate change. The skill sets and strategies required for business success are changing, and family businesses have often been slow to react to change.

Recent research by Family Capital, an online publishing platform dedicated to family enterprises, shows that over the last decade, the market value of family businesses has dipped below that of similar publicly listed companies. One of the key reasons could be that listed companies, pushed by investors and public pressure, are leading the way on prioritizing ESG (see chart below).

In the investment world, of course, past performance is no guarantee of future results. And this trend of lagging behind nonfamily businesses is reversible—

Businesses that have better ESG risk scores also have higher market values

As sustainability became more important to investors in the past decade, the market capitalization of family businesses began to trail that of nonfamily businesses.



Note: Family Capital rated the top 100 family businesses and the top 100 nonfamily businesses using an ESG risk profiler. The index value is set at 100 on Jan. 1, 2012.
Source: David Bain, "Family businesses fall behind non-family companies on ESG and lose their trust premium," Family Capital, Sep. 16, 2021

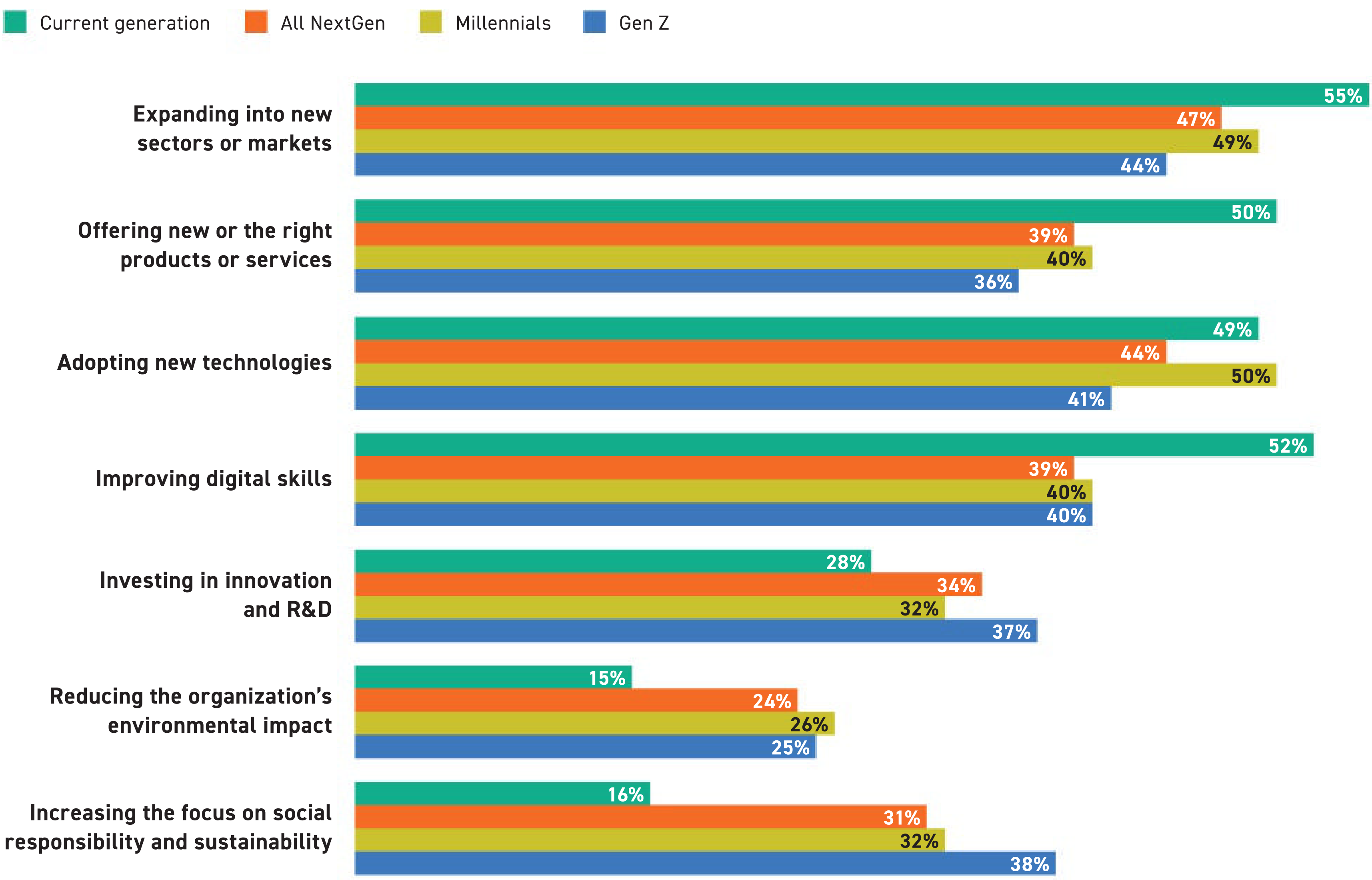
not least because a solid majority of NextGens (how we refer to the generation of family business owners waiting to lead) understand the challenge. In PwC's Global NextGen Survey 2022 of more than 1,036 NextGens, 59% said they believed that their own family business was moving too slowly on sustainability, and 72% said they expected to be involved in increasing their family business's focus on investments for sustainability in the future. That's good news. The challenge is that only 28% are involved right now. At the top of generational priorities, according to the survey, is business growth.

Given the economic challenges afoot, this focus on growth is not surprising. The rule of thumb for family businesses is that annual revenue growth has to be in double digits to accommodate the coming generations. By putting growth ahead of sustainability, NextGens are closely following the thinking of their parents, though they are more concerned with environmental issues (see chart below).

Setting growth as a priority is both understandable and vital. But as the ESG revolution continues, the connection between reinforcing viability in the marketplace and making progress on environmental and social goals will strengthen and become clearer. Simply put, delivering growth requires applying a powerful ESG lens to business issues.

Generational priorities: Like parents, like children

All generations in a family business look to grow through new markets. Gen Z is more likely to prioritize sustainability.



Note: Responses are drawn from a 2021 PwC family business survey and the present NextGen survey. The list of priorities in the family business survey included "introducing new products and services" and "increasing the organization's social responsibility." The NextGen list formulates the questions as "ensuring we offer the right products and services for today's customers" and "increasing our focus on investments for sustainability and impact."
Source: PwC's Global Family Business Survey 2021; PwC's Global NextGen Survey 2022

There are four steps that NextGens can take now to help accelerate delivery on sustainable growth and prepare themselves to be the future leaders who can secure and build on the family legacy. They involve a significant rethinking of what to prioritize and how to build the necessary skills.

These steps are:

1. Imagining what success looks like under a sustainability framework

2. Understanding how an ESG focus feeds into wealth management in family businesses, particularly in the context of a family office (a distinct business entity that systematically and thoughtfully invests for the future outside the context of the core family business)

3. Challenging one's skills—a traditional MBA degree may not be the qualification needed to lead in the future

4. Negotiating a new generational contract so that everyone understands what is expected of him or her within a defined time frame

Sustainable success

For Fong, embracing sustainability and proving himself meant stepping outside the business. "In real estate, profit is all about access to capital and making the right land purchasing decisions," he says. "Anything outside that core competency is marginal." Though not yet 30, Fong, who has a business degree from the University of Southern California, has already started three companies. (He founded the first, an online music collaborative called FindMySong, when he was just 19.) Raze Technology, which launched in 2018, is the result of Fong's scouring the academic world to find ideas to commercialize that had sustainability at their core. Raze, based in Hong Kong, uses photocatalyst processes to create light-activated, long-lasting, natural antibacterial products, including self-sanitizing paint. "It's more difficult to create something outside the safety net of the family business, but I see it as a win-win," says Fong. "It's not just about getting recognition for doing something by myself—it's about how we can use this business to strengthen the family's position and progress."

Not every NextGen needs to be an entrepreneur to succeed in safeguarding the legacy of a family business. But all will have to disrupt the status quo from within if the business has not yet fully embraced ESG. They will have to do so in part because their stakeholders, including lenders, customers, and employees, are demanding progress. "Every business leader wants to grow their business. This is where NextGen owners come in," says Susanne Stormer, ESG and sustainability services leader at PwC. "Understanding and accounting for how ESG dimensions of performance may create or erode enterprise value is essential to pivoting with society toward a more sustainable future." And the PwC survey shows that NextGen leaders, especially those in the younger cohorts, are focused on sustainability. Although only 16% of the current generation of leaders say it is a priority to increase the focus on social responsibility and sustainability, 32% of millennial NextGens and 38% of gen Z NextGens agree. By the same token, millennial (25%) and gen Z (26%) NextGens are more likely than the current generation in charge of the business (15%) to cite reducing the organization's environmental impact as a priority.

Future wealth management

In a world gripped by crisis, creating that required double-digit growth is a tall order. There are different ways to build wealth. It can come from increasing the value of the company's core business. And it can come through diversification and investing in other businesses and assets via a family office. The choice is a big responsibility for NextGens to inherit.

Many family businesses are formalizing wealth management through a separate family office—some 42% of NextGens responded that their families had one. And here, too, NextGens are well placed to make their mark. It's a notable finding of PwC's survey that 43% of those with a family office have a sustainability strategy, compared with 37% of those with no family office. Families with family offices were also more likely to have a written constitution and a succession plan in place (see "The role of the family office," page 63).

NextGens are more likely than the current generation in charge of the business to cite reducing the organization's environmental impact as a priority.

Exceptional education

The disruption of recent years has sent a powerful message to both educational institutions and students that the traditional topics of study in business management programs need to change. A new approach is required to prepare the next generation of leaders, one that reflects the existential crises the planet is facing. "The risk is that if students do not see the real world reflected in the curriculum, then business schools will become museums of management history," Omid Aschari, associate professor at Switzerland's University of St. Gallen, recently put it.

Oge Elumelu, daughter of Nigerian economist and businessman Tony Elumelu, is a good example of a NextGen who is looking for a broad learning experience. She's studying philosophy and politics at the London School of Economics, and at 19, she is at the beginning of her journey. When she graduates, she plans to work at the Tony Elumelu Foundation, part of the family's private investment firm Heir Holdings, which has funded more than 15,000 young African entrepreneurs since it was set up in 2010. "I'm passionate about giving back to Africa, and it is important to me that I do this not just by giving out handouts, but by investing in people and making a real, long-standing impact in their lives," she says.

A crisis such as the COVID-19 pandemic reminded businesspeople at all levels that their training and career path can't prepare them for everything. Indeed, in the PwC NextGen survey, 28% of respondents said the pandemic identified a need for upskilling and additional

The role of the family office

Family offices aren't just about numbers—they can help build valuable skills. Wealth management and the concept of ownership competence go together. Ownership competence is the skill through which ownership—and the control it implies over resources—is used to create value. This will be vital in setting the future business growth agenda. In the world of family business, ownership competence is a model developed by Thomas Zellweger of the University of St. Gallen. It focuses on three elements that align with what PwC calls the owner's agenda:

- **What is owned:** how owners combine resources to create value today and in the future
- **How it is owned:** setting family governance, choosing leaders and managers, and providing incentives to maximize value creation
- **When it is owned:** timing, and decisions such as succession planning and the staging of investment.

If a business is to create sustained growth, it must pay attention to all three elements. "The concept of a family office has gained momentum in recent years, in light of a massive wealth transfer between generations and the increasing complexity of the family ownership business ecosystem," says Peter Vogel, professor of family business and entrepreneurship, International Institute for Management Development (IMD). "If done right, the family office can play a critical role in ensuring sustainable business growth as well as preserving the wealth and unity of the family."

NextGens must confront important questions as to what value the family business creates and what capabilities are needed to deliver on that promise.

education. But when we asked what NextGens thought they needed to learn, the list was a familiar one: finance (53%), leadership development (48%), and business model innovation (41%). Sustainability was identified as a priority by only 25%—even though two-thirds said they saw an opportunity for family businesses to lead the way in sustainable business practices. If that's going to happen, NextGens will have to play a significant role, and they will need new skills to do that.

Most NextGens who answered the survey already have excellent business qualifications—89% have completed at least a university degree, the majority in business and finance, and 17% hold an MBA degree or doctorate. But it is clearly crucial to expand the aperture beyond the traditional management and strategy concepts. The recent book by our colleagues Paul Leinwand and Mahadeva Matt Mani, *Beyond Digital: How Great Leaders Transform Their Organizations and Shape the Future*, sets out seven leadership imperatives that are essential to shaping a company's future. The first among them is to reimagine the company's place in the world. NextGens must confront—and answer—important questions as to what value the family business creates and what capabilities are needed to deliver on that promise. Over the past two years, business schools and business networks have started offering a range of new areas of study that can encourage future leaders to learn to think differently about their businesses. NextGens need to proactively seek out these opportunities, and particularly build skills to deliver on ESG goals.

Ties that bind

Handing over a business to the next generation of leaders is the most important (and emotional) decision the current generation will make. The current generation needs to be sure that the business will be in safe hands and its new leaders have the understanding and skills to protect and grow the business. This challenge is particularly acute given that the skills needed today are very different from those needed by the previous generation.

"It is not easy to transition from the driver's seat to the passenger's seat. But I felt heartened that my next generation could take the family business to the next level because of how they have stepped up to build mutual trust and credibility with the current generation," says Gan See Khem, executive chair and managing director of Health Management International, a Singapore-based company that offers private healthcare services in Southeast Asia.

In many ways, the pandemic strengthened the bonds within family businesses. As well as focusing all generations on growth, COVID-19 focused minds on succession—an area that some family businesses have neglected in the past. In the 2022 survey, 61% of NextGens said there was a succession plan of some kind in place, even if it was informal. In a PwC survey of family businesses before the pandemic, only 15% said they had a formal succession plan, though about 40% had some kind of road map for succession. That significant increase represents real progress.

But the crisis has, if anything, made the current generation even more nervous about handing over control; 39% of NextGens say there is a resistance in their company to embracing change, and 57% say it's a problem that the current generation isn't ready to retire. NextGens are striving to prove themselves worthy, but their elders rarely articulate what being prepared for succession means in practice. “You don’t just wake up one day and suddenly know your responsibilities and role in the family business,” says Isabelle Randon Frota, third-generation member of her family’s Brazil-based multinational automotive and financial-services organization. “There are 12 of us in the third generation—we’ve all visited the company’s operations from an early stage, but that’s only part of it. We all need to learn, prepare, and practice.”

Randon Frota’s family is relatively unusual in that it took concrete steps to set out exactly what was required of each generation. In 2018, Randon Frota was instrumental in setting up a committee to discuss third-generation development, which provides a forum for intergenerational communication and for ensuring that the family’s strong values are nurtured and passed on. “We always knew what was expected of us—to go abroad, complete an MBA, for example—but we didn’t really understand why that was important in the context of the business,” says Randon Frota. “Now, we know, and we can contribute much more.”

It’s a good model to follow. Family businesses are more willing to talk about future leadership—the next step of maturity is to make clearer the stages and conditions of succession. Articulating and discussing a new generational contract is important. It’s vital to have an ongoing conversation about what will drive growth in the future and what roles NextGens want to and can play. “The responsibility for generational transition does not fall solely on the shoulders of the current generation,” points out Kenneth Goh, academic director of the Business Families Institute at Singapore Management University. “NextGen can play an active role by ‘managing up,’ based on mutual respect and good communication across generations, to set the pathways for senior leaders that affirm their identity and status.”

Looking ahead

Around the world, and in every industry, the pace of change is accelerating. Leaders of companies face difficult pressures: they must simultaneously manage day-to-day work, plan to meet long-term goals and commitments, and ensure that their operations are resilient to the forces that could disrupt their supply chains and businesses today or next week. Successful family businesses have proven their ability to think in these differing dimensions. But staying ahead of the curve requires bold strategic thinking. Now is the time for the NextGens to engage with the current leaders to start imagining a resilient and dynamic future for their company. +

Resources

Jeannie Diefenderfer, “Making ESG a strategic asset,” *s+b*, Mar. 31, 2022: CEOs can advance environmental, social, and governance concerns by treating them as more than a compliance requirement.

Peter Englisch, “Leaders in waiting,” *s+b*, Jan. 28, 2020: A survey of family-owned enterprises finds millennials ready to step up, and highlights four paths they can follow to success.

PwC, Global NextGen Survey 2022: Report on which this article is based, exploring how global threats have united the generations around a common goal: driving growth to secure the stability of the business and the family (www.pwc.com/nextgen).

David Reimer and Adam Bryant, “The new rules of succession planning,” *s+b*, Feb. 7, 2022: Too often, boards fail to pick the best CEO candidate because they focus on the wrong criteria. A three-step plan will help identify the right person for the top job.

More thought leadership on this topic:
strategy-business.com/leadership

The Thought Leader Interview: Elizabeth Kolbert

Human ingenuity has gotten us into a global environmental crisis. According to the Pulitzer Prize–winning author, it also has the potential to get us out.

BY AMY EMMERT

"A book can change your life," says Elizabeth Kolbert, author of *The Sixth Extinction* and longtime staff writer at the *New Yorker*. Kolbert isn't being self-referential. In fact, she's talking about someone else's book: *The Two-Mile Time Machine*, by Pennsylvania State University glaciologist Richard B. Alley.

When Kolbert came across Alley's book in 2001, she'd been contemplating a big project—something really important that would let her go deep and tell a story that needed to be told. She had been thinking that maybe she could settle the climate change debate once and for all. Alley's book, which laid out his research on glacial ice cores, told a history of climate change spanning more than 100,000 years. It offered confirmation that global warming was the big story Kolbert had been looking for, and set her on a path that eventually turned her from a political reporter into a renowned climate observer and commentator.

Kolbert was born in the Bronx and grew up in Larchmont, N.Y., before earning a bachelor's degree in literature from Yale University. While studying at the University of Hamburg in Germany as a Fulbright scholar, she began stringing for the *New York Times*, where she ended up working as a reporter from 1985 to 1998. The *New Yorker* hired her as a staff writer in 1999, and shortly after reading Alley's book, she was off to Greenland to explore a glacial ice coring operation. That trip was the first of many field studies that inspired a three-part award-winning series in the *New Yorker* called "The Climate of Man," followed by her first climate-related book, *Field Notes from a Catastrophe*, then *The Sixth Extinction*, which won the Pulitzer Prize.

In her most recent book, *Under a White Sky: The Nature of the Future*, Kolbert takes readers on a trip around the world—from the Great Lakes of the United States to the Great Barrier Reef in Australia—examining the devastating effects of humankind's ingenuity on the environment and the ways in which that same ingenuity is being applied to try to reverse the devastation. In an interview with *strategy+business*, Kolbert discussed what she's learned

Photograph by Matt Oner

about the climate crisis, how innovation is shaping the future of the natural world, and how business can tap into that innovation.

S+B: In your writing, you refer often to a new unofficial epoch in the earth's geological history called the Anthropocene Epoch. Can you explain how this era is defined and how its concept is important to understanding current environmental challenges?

KOLBERT: The Anthropocene is a term that was put into circulation by a Dutch chemist named Paul J. Crutzen, who shared a [1995] Nobel Prize for discovering ozone-depleting chemicals. He described this epoch as one in which human impacts on the planet basically vie with the great forces of nature that have always shaped our history. So, in the Anthropocene, human impacts are now on a geological scale. We have changed the climate already in a way that will be visible many millions of years from now in the record, in the rocks.

I once interviewed Crutzen for a piece on the Anthropocene, and he told me that he meant that term to be a warning to the world. Basically, you broke it, you own it. He didn't say that, but that was his message—that humans are now not exactly in control but driving a lot of the major geological, biogeochemical cycles.

S+B: Your new book is all about, in your words, "people trying to solve problems created by people trying to solve problems." You relate this to chemotherapy, in which sometimes the medicine is as bad as or worse than the disease itself, and you end up needing interventions to mitigate the effects of the medicine. Can you give us an environmental example?

KOLBERT: The book begins with the story of the Chicago River, when, in the very early part of the 20th century, the flow of the river was reversed in order to prevent Chicago's sewage from being dumped into its drinking water. In the process of reversing the flow, the Great Lakes hydrological basin and the Mississippi River Basin were connected in a way that they had not been before. They should not be connected. They have been separate, certainly since the end of the last ice age.

The reversal of the Chicago River was successful in diverting Chicago's sewage. But then, toward the end of the century, a new problem started to emerge. People realized that now invasive species could move between the two basins. In particular, Asian carp were moving up the Mississippi toward Chicago. These fish are a big menace to a lot of other fish and therefore to ecosystems.

> **"We have changed the climate already in a way that will be visible many millions of years from now in the record, in the rocks."**

Separating these two basins again is just too hard because so much infrastructure has gone up around them. So people are trying to impose some new form of con-

Amy Emmert
emmert_amy@
strategy-business.com
is a senior editor at
strategy+business.

trol, some new form of human engineering, to counteract the first. They've actually electrified a section now of the canal that was created when the river was reversed. As you go there, there are these huge signs warning you not to stick anything in the water because you're going to get electrocuted. And I just read recently that plans are going forward for another barrier that's supposed to keep these Asian carp out of the Great Lakes, and that's a billion-dollar project.

Another example is the Mississippi River. We have prevented the Mississippi from flooding to prevent many [tragedies]. But we didn't realize that river floods built the whole Mississippi Delta. If you don't let it flood, you are no longer getting any land being built from the sediment that's left behind after the flood. So the whole Mississippi Delta is sinking, and it's sinking pretty fast. That has tremendous repercussions for cities like New Orleans, which is one of the fastest-sinking places around.

The latest idea for how to fix this, which will cost billions of dollars, is to actually create fake flooding, or controlled floods. Water containing a lot of sediment would be pulsed out at certain times to try to build some land back to buffer places like New Orleans.

Whether either of these solutions is going to work is a very open question.

“No one is doing enough. If we were doing enough, emissions would not be still going up, but they are.”

S+B: Business can be on both sides of environmental crises like these, contributing to the problem and trying to innovate a way out of it. Can you give us some examples of companies that are innovating creative environmental solutions?

KOLBERT: One is a company called Climeworks, based in Zurich. They are one of many startups, but probably the furthest along, that are trying to master and bring down the cost of carbon dioxide removal. Climeworks has an innovative project in Iceland where it, in conjunction with the Icelandic government, is experimenting with injecting CO_2 very deep underground in a certain kind of rock, where it reacts and forms calcium carbonate that can be permanently stored.

I think that is going to be a huge push in coming years, because there's already too much CO_2 in the air, and if you're rigorous about net zero, it means that if there's anything in your supply chain or your business cycle that's putting out carbon, you have to take the same amount of carbon out of the air—not by an offset, but by taking it out of the air.

But it is not easy technologically to do it at scale. In fact, there's a big prize sitting out there if someone can figure out how to take a billion tons of CO_2 out of the air.

S+B: A lot of companies have ramped up their commitments to reducing their carbon emissions, and there's a lot of talk about net-zero goals. Is what companies are doing right now enough? If not, what more is needed?

KOLBERT: No one is doing enough. If we were doing enough, emissions would not be still going up, but they are. [Emissions rose by 6% in 2021.] So, we're not doing enough, and that includes major corporations, minor corporations, and everyone.

I just read a report that looked at these corporate pledges and what progress is really being made, and it was pretty dispiriting. It's very easy to make pledges. It's very hard to fulfill them. And that is because carbon emissions are baked into every step of our manufacturing processes and every link in our supply chain.

I'm very worried that there's just going to be a lot of hand-waving and greenwashing. Corporations are not people, but they are made up of people who are going to have to live on this planet and who have children who are going to have to live on this planet. And we are really talking about—and I'm not being overly dramatic, sadly—the future of our world. This is not a game.

S+B: You mentioned carbon offsets, through which companies and individuals can purchase or invest in efforts to remove or reduce emissions. But are these just a way for companies to dodge direct responsibility?

KOLBERT: My view of carbon offsets—and I try to delineate pretty clearly what I know and what I only know because I read about it just like everybody else—is that offsets are like the Wild West. There's no regulation and no accounting for them.

To be a legitimate offset, you get into almost metaphysical territory. I can only legitimately claim that forest preservation, let's say, is an offset if it was going to be cut down. If it was just going to stay there, it's not an offset. So there are a lot of games being played with offsets.

I think we need to completely move away from the offset mentality. Your emissions are your emissions. And this goes for companies and individuals. You have to take responsibility for reducing your own emissions, not saying you're carbon neutral because you bought a lot of offsets. That's just a sophisticated form of greenwashing.

"Carbon offsets are like the Wild West. There's no regulation and no accounting for them. There are a lot of games being played."

One thing to look at is whether the cost of reducing your emissions by a ton is the same as the cost of buying an equal offset. Buying offsets is comparatively very cheap. If we were really going to get to net zero via offsets, or even toward net zero via offsets, they would be getting more and more expensive. But they're not. So that, to me, is a sign that they're not really on the level.

S+B: Do you think the pandemic has changed anything about the trajectory of climate change?

KOLBERT: I don't think it has. This idea of a reset, which may be happening in certain spheres, is not happening in terms of energy usage. There was a big drop at the beginning. Everyone was just sitting at home, so of course carbon dioxide emissions dropped. But I think as companies ramp up again and people go back to the office, we're already seeing a pretty big surge right back to pre-pandemic levels of emissions. There might be a lot more virtual meetings, for instance, and that potentially could be a game changer in business travel. But the flip side is that mass transit ridership is way down, which means more people are commuting by car now. And people have moved farther from their jobs, which makes for longer commutes.

We haven't reset the whole energy economy—and how could we have in two years? And I think the other thing that's very disturbing about COVID-19 and what it taught us—and I'm sure this message was not wasted on corporate America—was that people can be convinced of a lot of things that are not true. That's extremely dangerous for all of us.

S+B: How can corporate America help to change the messaging about climate change?

KOLBERT: I think we need our corporate leaders and our government leaders on the same page, saying it's time for action—action that isn't comfortable.

I think it would be very helpful if corporate leaders would say that pretty much everything needs to be on the table right now. Because our world is fundamentally dysfunctional. That's pretty bad for business. And we seem to be trying to just keep our blinders on for as long as possible.

Also, a lot of corporations have, on paper at least, fairly impressive and laudable climate goals, but then give money to candidates and politicians who are standing in the way of doing anything about climate. So, it's a weird, schizophrenic situation. If corporate business leaders could say they're no longer supporting candidates who are blocking action on climate change, things would change so fast your head would spin. And that would be such a positive move.

S+B: PwC recently conducted an analysis of climate technology investments and found that the vast majority of investments are made in technologies with a proven track record but lower emissions-reduction potential than newer, unproven technologies. What do you think should be done to encourage investment in emerging technologies with greater potential to swiftly and significantly improve the climate picture?

KOLBERT: I try not to speak outside of my area of expertise, but I would say that one thing that is crucial here is that investors have to have a clear sense there will be a financial cost to letting emissions go at their current rate, and therefore a payback in investing in the best technologies. If investors thought, for instance, that there was going to be a carbon tax, that might change a lot of things.

S+B: There's a poignant moment in *Under a White Sky*, when your late friend Ruth Gates, who was working on developing "super corals" that could withstand the effects of global warming, talks about how a lot of people want to "go back to something." She acknowledges that there is no going back, and she accepts a future "where nature is no longer fully natural." To me, this reflection struck a pandemic chord. We've all become conditioned to the idea of a "new normal." But in our pandemic story, although the new normal is born out of loss, we also make important gains in stepping forward differently. Assuming interventions can succeed in saving the planet, do you feel this way about an environmental "new normal"?

KOLBERT: Well, that's a big assumption. But I'm very ambivalent. I definitely consider myself to be a good, old-fashioned environmentalist who says, "The less you tinker, the better." But even in the course of reporting *Under a White Sky*, I had to acknowledge that that possibility in many ways is gone. Even what we call wilderness areas in the US are heavily managed. We live in a managed world, and we have to.

I do think that we, unfortunately, have crossed a line, probably without realizing it, or many different lines. In the case of coral, for instance, it's very stark. You're not getting those reefs back by just doing nothing and praying. And you're not even getting them back by dramatically reducing carbon emissions, although that might save those that remain. So the case for some kind of intervention becomes more and more compelling.

Whether there's a grand intervention that will save us is the big question at the heart of *Under a White Sky*, and it's the question that I don't think at this point we can answer. But I think we have to hope that intervention is the answer, because the alternatives are pretty bleak. +

Books in Brief

Business needs to adjust its political antennae

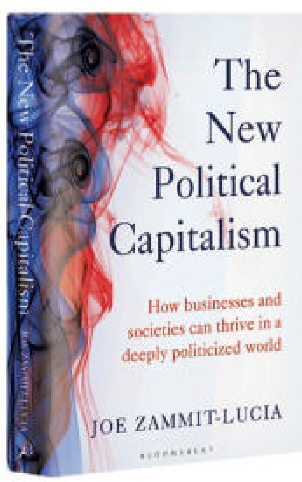
by Deborah Unger

The New Political Capitalism: How Business and Societies Can Thrive in a Deeply Politicized World, by Joe Zammit-Lucia, Bloomsbury, 2022

The argument that businesses today need to be more politically aware regarding their operations and supply chains may seem like a truism. But it's probably also the case that very few CEOs thought they would wake up on February 24, 2022, to face a decision about how to respond to the invasion of Ukraine by Russia. Some (including PwC) started the process of withdrawing their businesses from Russia; others initially chose to continue operating as usual. But threats by the public to boycott the latter, amplified on social media, forced household names into U-turns and apologies.

We're now experiencing what Joe Zammit-Lucia calls, in his new book of the same name, the age of the new political capitalism: a world where politics and business collide in real time and there's no such thing as an apolitical business. *The New Political Capitalism* was published on February 3, three weeks to the day before the war in Ukraine began, and it's safe to say that its author would not have wanted such a stark illustration of his thesis. In fact, his message for this new age is optimistic: businesses will thrive when they understand and act on the political dimension of their operations. And behaving this way also can help solve the existential challenges of the present while ultimately providing a better future for all.

In the book, Zammit-Lucia, who is the founder of Radix, a think tank that positions itself in what it calls the "radical center," walks us through a decades-long evolution of industrial, shareholder, and stakeholder capitalism. His two previous books, with coauthor David Boyle, also from Radix, tackled the problems facing liberal democracy and globalization—both of which he is in favor of. Political capitalism, he argues, is central to the success of both projects.



Zammit-Lucia's ultimate goal is to live in a world in which "innovative energies of private enterprise operating within competing, well-structured, and well-regulated markets is vital to progress." But for that to happen, business needs to have "a deep understanding of how politics and the constant contestation of political ideas work, how they drive as well as follow contemporary culture, and how to embed these understandings into the core of their business models."

He revisits the topics of globalization and the power of brands en route to describing and giving examples of what he sees as the model political company. One such example is Patagonia, the clothing company that makes a feature of its environmental politics and was decades ahead of its time when it was founded by US rock climber and environmentalist Yvon Chouinard in 1973. Its global supply chains are designed to minimize the company's environmental footprint, and it enhances the longevity of its products by offering free repairs. In 2002,

Illustration by Noma Bar

it announced that 1% of its profits would go to environmental causes.

Chocolate maker Tony's Chocolonely is another model political company—and an example of what Zammit-Lucia calls a "purely political brand." The company was founded in 2005 by documentary filmmakers who wanted to change the horrendous working conditions of Ghanaian cocoa farmers. The film they made about child labor didn't have the impact they were hoping for, so the filmmakers started their own chocolate company. When it was sued for claiming to be 100% child labor–free by another chocolate maker who maintained that such a thing was impossible, the court rejected the suit. The publicity raised the profile of Tony's Chocolonely. As a result, its workers' wages, which are tied to revenues, also rose. The company had made its political point.

We're now in the age of the new political capitalism, and there's no such thing as an apolitical business.

Amid its repeated refrain that companies need to think politically, the book contains delightful nuggets from the history of capitalist culture. One of them is the story of Elizabeth Magie, a progressive activist who in 1904 invented a board game called the Landlord's Game. The game had two sets of rules to illustrate how different constraints affect player behavior and was designed to show how new landlord regulations could hurt poor tenants. Under "Prosperity" rules, every player gained money when someone bought a new block of land, and the game was won when the player with the lowest amount of money managed to double it. Under "Monopolist" rules, successful players bought properties and collected rent if other players landed on them. Here, the winner was the person with the most money.

When Parker Brothers was shown a modified version of the game by an unemployed salesman named Charles Darrow, it released only one version. Monopoly was a hit, and Darrow became an instant millionaire. As Zammit-Lucia writes, the Darrow rags-to-riches story "made a better marketing backdrop than a social activist agitating for a fairer, collaborative society." It was a game of its time. "Who knows where we would all be today had Parker Brothers marketed Prosperity instead of Monopoly?" Zammit-Lucia writes.

Flash forward through the deregulated worlds created by Reaganism and Thatcherism to the era of financial capitalism, the unhealthy relationship between lawmakers and business elites, and Milton Friedman's "the business of business is business." Zammit-Lucia argues this approach to the capitalist enterprise is now as anachronistic as a rotary phone. His evidence? The inexorable rise of global threats, whether climate change or armed conflict, and powerful multifaceted stakeholders. Which brings us up to the present, when CEOs face real political decisions such as whether to do business with Russia during the war or to buy cotton from Xinjiang province over claims of worker abuses.

Outlining the prescription for change is easier than coming up with a solution. In a chapter on cultural leadership, Zammit-Lucia suggests there are three components to succeeding in the politicized world. First, accept that business is political and it has an important role that goes beyond financial performance; second, lead from the outside in, to understand the effect of the company on the world; and third, "executives need to think as citizens—not just about themselves but about their customers and everyone else they do business with." Using the response to the pandemic as an example, he focuses on the collaborations between companies and governments to develop, test, and roll out vaccines. His hope: that we don't forget what can be done for the public good if we work together. +

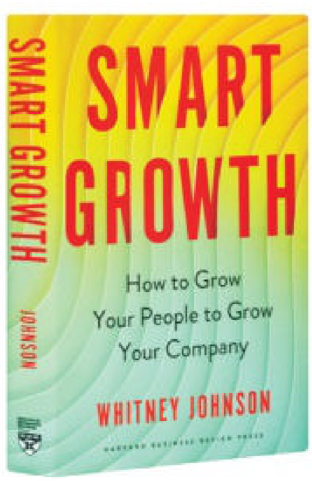
Deborah Unger
is a senior editor at *strategy+business*.

Follow your S curve

by Theodore Kinni

Smart Growth: How to Grow Your People to Grow Your Company, by Whitney Johnson, Harvard Business Review Press, 2022

Recently, someone on LinkedIn asked me for career advice. LOL. The ink line of my career is a random squiggle with lots of breaks and blotches. It isn't until about halfway through that the line begins to look like it might be going somewhere. That's the point at which I found something I enjoyed doing that paid enough for me to keep doing it. I grabbed that like a drowning man does a life ring.



I grabbed Whitney Johnson's new book, *Smart Growth*, with similar enthusiasm, because it seemed there might be a more rational and ordered way to view my career. There is. As Johnson might tell it, I didn't flounder for years; I followed the "S Curve of Learning."

Johnson, a consultant and speaker, has a knack for picking out theories from the discipline of innovation and applying them to individual growth. In her 2015 book, *Disrupt Yourself*, she used Clayton Christensen's theory of disruptive innovation as the foundation for a guide to career-changing moves. In *Smart Growth*, Johnson applies Everett M. Rogers's theory of innovation diffusion to forging a career path.

In his 1957 doctoral dissertation, Rogers showed that the number of Iowa farmers adopting a new weed killer followed an S curve: adoption started slowly, with only a few farmers willing to take a chance on the new product; shot upward as the majority of farmers became convinced of its benefits; and then leveled off as the remaining, most cautious farmers finally committed. By the time Rogers's seminal *Diffusion of Innovations* was published in 1962, the rural sociologist was convinced that the S curve of innovation diffusion depicted "a kind of universal process of social change." Indeed, S curves have been used in many arenas since then, and Rogers's book is among the most cited in the social sciences, according to Google Scholar.

Johnson's S Curve of Learning follows this well-established path. There's the slow advancement toward a "launch point," during which you canvas the (hopefully) myriad opportunities for career growth available to you and pick a promising one. Then there's the fast growth once you hit the "sweet spot," as you build momentum, forging and inhabiting the new you. And, finally, there is "mastery," the stage in which you might cruise for a while, reaping the rewards of your efforts, before you start looking for something new, starting the cycle all over again.

Johnson lays out six different roles that you must play as you travel along her learning curve. In the launch phase, where I spent what felt like an eternity, you first act as an Explorer, who searches for and picks a destination. Next you become a Collector, amassing the information and resources needed to confirm that the destination is the right one before pushing toward it. In the sweet spot, you become an Accelerator, putting the information and knowledge you collected to work, and then a Metamorph, for whom, as Johnson says, "'I do this' evolves into 'I am this.'" In the mastery phase, you assume the role of Anchor: your destination has been attained, and you bask in your developmental glory. When you tire of the easy life, you become a Mountaineer in search of new S curves to summit.

If this all sounds a little precious, well, sometimes it is. Johnson's style is inspirational and aspirational, but she also grounds her ideas in concrete advice and warnings. In the chapter on being an Explorer, for example, she provides seven questions for evaluating an S Curve of Learning, such as, "Is it easy to test?" and "Is the reward worth the cost?" In the chapter on being a Mountaineer, she warns of two dangers: freefall, when the self-satisfied slip (or get pushed) off their summits, and the death zone, where learning stops and careers stagnate.

Managers may want to grab the book, because Johnson's S curve could help them guide the career development of their employees. Be forewarned, though: the book's subtitle, *How to Grow Your People to Grow Your Company*, is something of a red herring. True, Johnson dedicates certain sections to how leaders can help employees travel their S curves, as well as tips for managers. There are also tables that track the emotions employees may be feeling as they traverse each growth stage, or that briefly describe how to help people depending on the maturity level of the company (i.e., young and/or growing, advancing and/or mid-stage, and historic and/or complex). But the sections aimed directly at managers total fewer than 30 pages.

In the S Curve of Learning, there's slow advancement to a "launch point." Then fast growth when you hit the "sweet spot." And finally, "mastery."

I have a couple of other warnings. One concerns the book's underlying assumption that career opportunities are boundless. It's obvious that they aren't for many people, even though Johnson includes several stories of people who overcame seemingly unvaultable barriers to success.

The other warning is a reality check. As far as I can tell, most people's careers don't conform to neatly drawn S curves. No matter how those careers look in hindsight, they are more often random, emerging over time from a miasma of intention, hard work, circumstance, and dumb luck. In this regard, *Smart Growth* should come with a disclaimer: results may vary. +

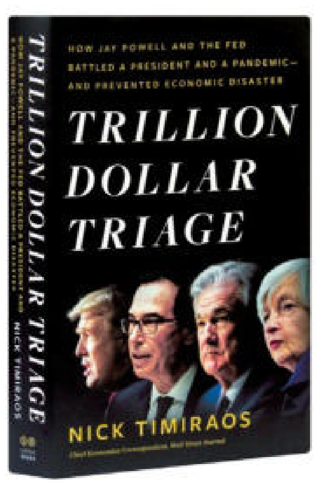
Theodore Kinni
is a contributing editor of *strategy+business*. He blogs at *Reading, Writing re: Management* and is @TedKinni on Twitter.

How the Fed came through the pandemic

by Mike Jakeman

Trillion Dollar Triage: How Jay Powell and the Fed Battled a President and a Pandemic—and Prevented Economic Disaster, by Nick Timiraos, Little, Brown, 2022

The first thing people know about Jay Powell is that he is the chair of the US Federal Reserve. The second is that he is not an economist. After Powell joined the Fed, he complained to a colleague: "They talk to me like I'm a golden retriever." Despite his professorial appearance, the former corporate lawyer was conspicuous in a building full of economics Ph.D.s. Yet Powell's plainspoken manner and evidence-based approach meant that within a decade he was at the helm of the biggest central bank in the world, as the global economy faced its stiffest challenge in generations. Powell's leadership during the acute phase of the COVID-19 pandemic helped to prevent a financial meltdown, but how did the appointment of an outsider change the most important institution in economics?



After he was tapped for the chairman role by Donald Trump in early 2018, Powell sought to challenge the notion that central banks are designed to be sober, slow-moving institutions that absorb huge amounts of information to make small and gradual tweaks to economic policy. "Building up the Fed's brand and making the institution a paragon of diligent, apolitical analysis struck Powell as something he might be uniquely equipped to accomplish," writes Nick Timiraos, chief economics correspondent of the *Wall Street Journal*, in his new book on Powell's Fed, *Trillion Dollar Triage*. He wanted the Fed to continue to talk more and in language that everyone understood. He also sought to investigate whether the Fed was delivering a strong economy for ordinary Americans. To do this, he settled on a nationwide tour, dubbed "Fed Listens."

What Powell heard was that the Fed was paying too much attention to inflation and too little to unemployment. That realization, coupled with the fact that globalization had changed the economy so that it was capable of tolerating much lower unemployment without stoking inflation, drove Powell to resolve that the inflation target should be made truly symmetrical: if inflation had been allowed to run below 2% for a period, it should also be allowed to exceed it for a similar duration. He shared a draft of his new framework with colleagues in January 2020. Then the pandemic hit.

The Fed was alert to the seriousness of the pandemic faster than the administration or Congress. According to Timiraos, it faced two daunting challenges. The first, making it as easy as possible for households and firms to borrow and repay debt, was the more straightforward. Powell used former Fed chair Ben Bernanke's playbook of cutting rates to zero and embarking upon a turbocharged version of quantitative easing. The second, and more complicated, challenge was ensuring the continued flow of money around the global financial system as the market for US Treasuries seized up. This was a problem that the Fed grappled with continually in the spring of 2020. It dragged the bank further and further into new territory. Each time Powell and his colleagues considered expanding its reach, into buying corporate bonds, municipal debt, or exchange-traded fund securities, they asked themselves variations of the same question: were they prepared to do all they could to reduce the chance of a short-term disaster without knowing the long-term consequences? And each time, they decided that they were.

Powell's willingness to conduct a "full-court press on the market," in the words of one analyst, meant that confidence in the economy was restored relatively quickly. Consequently, several of the Fed's most unorthodox measures were used sparingly. Timiraos argues that

Powell practiced a key tenet of crisis management: by showing a willingness to do more, he ended up having to do less. The approach also enabled a faster economic recovery than many had expected. However, this rapid recovery unwittingly dragged Powell's two major changes at the Fed—its reprioritization of unemployment against inflation and the size of its pandemic response—into conflict.

Long known as the lender of last resort, at the height of the pandemic the Fed became "the backup lender to the entire world."

At the time of the Fed Listens tour, the central bank had spent a decade trying to push inflation up. Powell was worried inflationary expectations would become stuck at a permanently low level, echoing Japan's "lost decades." Holding interest rates lower for longer to focus on driving down unemployment seemed a low-risk strategy. But the Fed did not reckon on pandemic-related supply problems sending inflation soaring. When inflation began to accelerate in mid-2021, Powell repeatedly described it as "transitory" and focused on the need to repair the jobs market. According to Timiraos, "the Fed's new framework…effectively committed officials to react too late." By the start of 2022, the labor market was strengthening rapidly, but inflation was at its highest point in 40 years. Had Powell's Fed overdone it or merely been unfortunate?

Timiraos's conclusion, that the Fed has been asked to do too much, feels like the right one. Long known as the lender of last resort, at the height of the pandemic it became "the backup lender to the entire world." During the Powell era, it has also stepped in to try to reduce both unemployment and inequality in the US. That the Fed quickly understood the ruinous potential of the pandemic meant that it assumed a bigger and bigger role in combating it, at the same time that it also tried to correct its errors of the past. Its monetary stimulus collided with a belated and enormous wave of government spending.

Here, a counterfactual might be helpful. What would have happened if the Fed had not pulled every lever it could reach? Powell's gamble of a lifetime was that the US would be dealing with a worse outcome than an uncomfortable spike in the cost of living. A yearslong depression was avoided. So too was a permanent slump in inflationary expectations. Timiraos's sympathetic study gives Powell plenty of credit for his short-term crisis management. But the long-term challenge, that of fixing the system that led to such reliance on the Fed, awaits. +

Mike Jakeman
is a freelance journalist and has previously worked for PwC and the Economist Intelligence Unit.

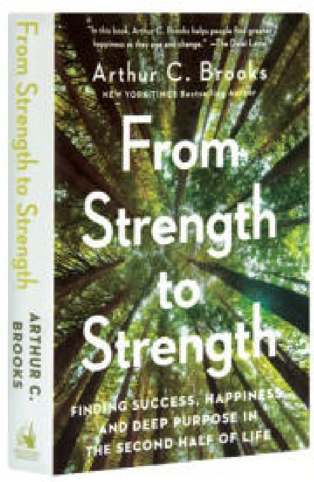
A guide to growing older

by Daniel Akst

From Strength to Strength: Finding Success, Happiness, and Deep Purpose in the Second Half of Life, by Arthur C. Brooks, Portfolio, 2022

Arthur C. Brooks is a striver. As a young man, he was such an accomplished French horn player that he was able to make a living as a classical musician. He later obtained a Ph.D. and ran the American Enterprise Institute (AEI) for a decade. He also became a fluent Catalan speaker, a columnist for the *New York Times*, and a father.

But Brooks is also a seeker. Raised an observant Protestant, he converted to Roman Catholicism as a teen and has since explored a range of religious traditions during a lifetime of reading. He's made spiritual journeys to India and has cultivated a personal relationship with the Dalai Lama.



The combination of striver and seeker makes Brooks an interesting guide to the problem of aging for the kind of driven overachievers likely to be reading this article. Getting old is something all of us face sooner or later, if we are lucky. But business leaders likely will encounter the problem long before their dotage, for aging societies and low birth rates imply that executives worldwide are going to have to get used to hiring and managing more older workers.

Executives presiding over a graying workforce, and those who are themselves graying, or who hope to face the phenomenon gracefully and meaningfully, could do worse than to consult *From Strength to Strength*, Brooks's brief, earnest, and pleasingly upbeat book on the subject. As an aging striver, Brooks knows what you are up against, and, as a seeker, he offers useful guidance for finding a path forward.

His insights are sometimes obvious, yet you need to hear them anyway. The book's most important message, unwelcome though it may be, is that you are going to die. You say you know that already? Well, you don't act like it. This is not to say you should abandon your career and your long-range plans. But as we age—as our time grows shorter—we should allow a healthy awareness of mortality to influence our professional and personal choices. And we should acknowledge what an obsessive focus on work can and cannot do for us.

Fortunately, a growing sense of the end's nearness can help us recognize the foolishness of sacrificing everything in pursuit of wealth and status. Besides, almost everyone blessed with choices in life could benefit from heeding the author's advice to find one's "deep purpose" and strip away whatever doesn't serve it. Imagine Marie Kondo turned loose on your calendar.

Business leaders who embrace the author's point can use it in two ways: to rein in their own worst workaholic impulses, and to help team members give proper weight to the things outside work that contribute so much to a meaningful life (an effort that might even improve productivity).

Managers will also want to note the author's comments about abilities and age. Brooks argues that in various ways our powers begin to wane long before we are truly old. He experienced this when his skills on the French horn started to decline during his 20s and then deteriorated so steadily that he decided to find another line of work.

Yet, as we age, we gain powers as well. Drawing on the work of British psychologist Raymond Cattell, who in 1971 posited that people possess two types of intelligence in a mix that varies with age, Brooks writes: "The first is fluid intelligence, which Cattell defined as the ability to reason, think flexibly, and solve novel problems. It is what we commonly think of as raw smarts…." Innovators tend to have fluid intelligence in abundance. Cattell noted that "it was highest relatively early in adulthood and diminished rapidly starting in one's thirties and forties."

Cattell's second type of smarts is "crystallized intelligence," or the ability to use one's increasing store of knowledge. In other words, writes Brooks, "when you are young, you have raw smarts; when you are old, you have wisdom." Crystallized intelligence seems to grow with age and tends to make older people better historians and teachers. Brooks argues that high achievers sooner or later have to give up roles that are largely analytical or depend on quick thinking in favor of roles that exploit their superior ability to assemble and apply what they know—and that aid the young.

People have long known this; the author quotes the Roman statesman and philosopher Cicero, who believed that while the old should "have their physical labors reduced," at the same time, "their mental activities should be actually increased. They should endeavor, too, by means of their counsel and practical wisdom to be of as much service as possible to their friends and to the young, and above all to the state."

The trick for aging achievers like Brooks is to play to these new strengths while letting go of the powers that depended on youth. Following his own advice, he stepped down as chief of the AEI in his mid-50s and now teaches at Harvard. And yet, he says, "I am not exhorting you to hate and reject the world; to live like a hermit in a Himalayan cave. There is nothing bad or shameful about the world's material abundance, and we are right to enjoy it."

Aging societies and low birth rates imply that executives worldwide are going to have to get used to hiring and managing older workers.

Rather than ticking off a bucket list, he decided that he would teach, reduce his needs, and focus on people. Like many who write about happiness, Brooks emphatically advocates for investing in human relationships—potentially a fraught area for business leaders, who may find it easy to form shallow, transactional friendships but not the deeper ones that take time and might arise from the workplace if one weren't the boss. Friendships are something to work on, the author says, and I agree. It's surprising how few people seem interested in doing so.

Brooks is frank about his Roman Catholicism, which I found refreshing even if he quotes a few too many religious figures for my taste. He practices his faith daily, but *From Strength to Strength* reflects a healthy spiritual ecumenism by encompassing other religions and practices, including Buddhism and Hinduism. Few comparable books address the human tendency to become more interested in spiritual matters as we age, and fewer still offer encouragement.

Brooks is an enthusiastic guide, but he is asking a lot: that, as you age, you live an examined life, that you embrace your newfound capacities rather than rage against the ebbing of your old ones, and that you lay off the frantic tap dancing you hope will gain the world's admiration—if only because sooner or later the applause must stop. To make things easier, he boils his philosophy down to a mere seven words:

Use things.
Love people.
Worship the divine.

Good advice, and better yet, he leaves each of us to decide on the divine part for ourselves. As an atheist, I approve. Everyone can have a deep purpose, with or without religion, and getting older can help you focus on it. +

Daniel Akst
is a business writer, author, and novelist based in New York's Hudson Valley. His books include *Temptation: Finding Self-Control in an Age of Excess*.

To err is human, to regret, divine

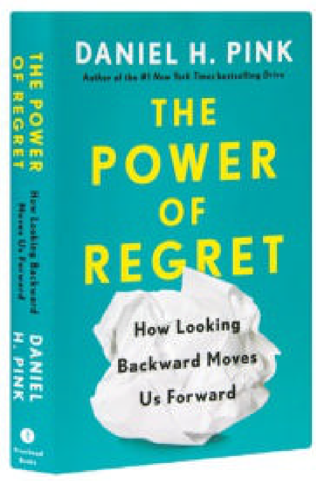
by Tom Ehrenfeld

The Power of Regret: How Looking Backward Moves Us Forward, by Daniel H. Pink, Riverhead Books, 2022

What if you had started saving for retirement in your 20s? Or if you had pursued a graduate degree instead of plunging immediately into the job market? How much richer a life would you have if you'd kept in touch with close friends from the past? If these questions spark a tinge of regret for you, that's not necessarily a bad thing.

A new book by Daniel Pink, one of the world's leading management thinkers, challenges the notion that regret is a negative emotion that should be avoided. Regret, he argues, can be an indicator "of a life well lived," if only we identify, codify, and process it in the right way. What's more, he convincingly claims that by enlisting regret's "shape-shifting powers as a force for good," people can sharpen their decision-making, boost their performance, and deepen the meaning of their work.

Drawing on a mix of anecdote and social psychology, *The Power of Regret* is an attempt to understand and make use of the complicated mental calisthenics that individuals conduct retroactively—in Pink's words, "the stomach-churning feeling that the present would be better and the future brighter if only you hadn't chosen so poorly, decided so wrongly, or acted so stupidly in the past."



In 2020, the best-selling author of *Drive, When,* and *To Sell Is Human* refashioned himself as a modern-day guru of all things regret. Pink and a team of researchers carried out the American Regret Project, a survey of nearly 4,500 US individuals touted as "the largest quantitative analysis of American attitudes about regret ever conducted." He also launched a website, the World Regret Survey, which collected more than 16,000 regrets from people in 105 countries.

From this corpus of anguish and disappointment comes a framework that in many ways departs from prevailing academic research (which tends to analyze regret in static domains such as work, family, and health). Pink's categories are much more fluid. Foundation regrets stem from a failure to be responsible, conscientious, or prudent, such as failing to save for retirement from an early age or other failures of foresight. Boldness regrets refer to chances we didn't take, generally one-time opportunities to act that we turn down because of the risk involved. Moral regrets refer to "bad road" decisions we take that compromise our belief in our own goodness. Connection regrets result from neglecting (usually over the long term) people who establish our own sense of wholeness, which ends up eroding our sense of belonging to a greater group.

By reframing regret in this way, Pink argues that we can more easily identify what really makes us tick, and tackle what has truly kept us from realizing our goals. The theory is that open-minded individuals willing to approach regret pragmatically can adjust their future behavior for the good, and that categorizing regret into a neat framework helps those individuals identify missed opportunities and clarify true value.

Pink then prescribes a three-step process. First, create a mechanism of *self-disclosure* regarding behavior you regret. Disclose your regret to yourself and to others through simple actions such as keeping a regret diary or talking into a voice recorder. Second, reckon with your regret through *self-compassion*, which he presents as "a middle road in handling negative emotions—not suppressing them, but not exaggerating or overidentifying with them either." Building an awareness of regrettable behavior helps alleviate the psychic turmoil and enables one to move forward productively.

The third step follows naturally: practice *self-distancing* by detaching yourself from your behavior through time, space, and language. Create a mindful detachment that frees you to both experience and learn from your regrets. At the end of the path, Pink promises that your regret will be transformed into a powerful force for stability, achievement, and purpose, and you will be released from long-standing burdens and will be able to give yourself permission to pursue your dreams.

By reframing regret, we can more easily identify what really makes us tick, and tackle what has truly kept us from realizing our goals.

Though it's full of practical advice, Pink's book might ultimately be more entertaining than it is inspirational. His notion of regret as the way to make sense of how to avoid bad decisions (actively or inactively) is a clever hook. But the heart of the project is the wealth of touching stories he has unearthed through his research—helped along by Pink's engaging prose, characteristically full of insight and humor.

The result is a breezy guide that focuses its advice more on psychologically processing the outcomes of actions than on trying to produce better actions. But, with tongue slightly in cheek, I can assure you, you won't regret picking up this book. Learning to use the hard lessons of our past to plan a better future is tried and true advice worth repeating. Beyond that, there's more to be gained from deepening one's consciousness about why we make decisions in the present—and leveraging that to make better choices now and forever. +

Tom Ehrenfeld
is a freelance writer and editor based in Cambridge, Mass. Formerly a writer/editor with *Inc.* magazine and *Harvard Business Review*, he is also the author of *The Startup Garden*.

Strategy Shop

Leaders need to be good writers, too

Effective management requires
strong communication skills, including writing.

BY ADAM BRYANT

Improving your writing skills may sound like one of those evergreen goals, but it's particularly relevant for leadership right now. After all, most communications from leaders, whether they are company-wide emails, memos, or tweets, start out in written form. Getting them right helps build a strong culture—a bigger challenge now that some form of hybrid work is going to be with us for a long time.

I have two overarching tips to share about how to be a better writer. Although I work in leadership consulting now, I was a reporter and then an editor for 30 years, and I've seen time and again the traps that writers fall into. Here are two of the biggest ones. If you can recognize and avoid them, you'll be a better writer, communicator, and leader.

The WSL problem. WSL stands for *writing as a second language*. I use it as a shorthand to describe how people will often treat writing as if it were a completely different form of communication from the way they speak. They use sentence structures that feel less natural, and they start reaching for more formal or fancier words or phrases—such as *contrapuntal* or *eschew*—that rarely come up in everyday conversation.

Whatever the intention, WSL leads to an overall tone that adds distance between the writer and the reader. And that is precisely the opposite of what is needed now from leaders. A more conversational writing tone shortens the distance between author and audience. It feels more real, which is what everyone craves at a time when they are living more of their lives online.

To guard against WSL, just apply this simple test when reviewing what you've written: Does this sound like me? Would I talk like this if I were speaking face-to-face with a colleague? Reading aloud is a good way to check for the WSL problem.

The expert-itis problem. "Expert-itis" happens when people get too close to their subject. They assume everyone else knows as much as they do, so they focus on the nuances of a particular topic or insight without explaining the context.

Expert-itis crops up everywhere. It's why air travel can sometimes seem so stressful. Operational complexity often bleeds into communications, confusing customers with byzantine explanations for simple procedures like how to put on a seatbelt. Or try making sense of the "about us" pages on some corporate websites, particularly those of tech firms. "Your database instances are deployed in a unique virtual private cloud (VPC) to ensure network isolation." Translation: we keep your data safe in our cloud.

To prevent WSL and expert-itis, it's useful to keep in mind a lesson that Susan Salka, CEO of California-based AMN Healthcare, learned from her father: "If somebody was talking over his head, using big words, being too complex, or trying to act too sophisticated, he would say, 'Would you break that down to cows, chickens, and taters?'…Years later, I realized that the message is, keep it simple. Don't overcomplicate things."

Does all your writing, as a leader and in your organization, pass the "cows, chickens, and taters" test? +

Adam Bryant
is a managing director of the ExCo Group, a senior-leadership development firm. He is the author, with Kevin Sharer, of *The CEO Test: Master the Challenges That Make or Break All Leaders*.

Illustration by Martín León Barreto

strategy+business

BIG IDEAS.
TOP READS.
EXPERT ADVICE.

Get the *s+b* newsletter delivered to your inbox twice a week.
strategy-business.com/newsletters