



Arceau L'heure de la lune
Time flies to the moon

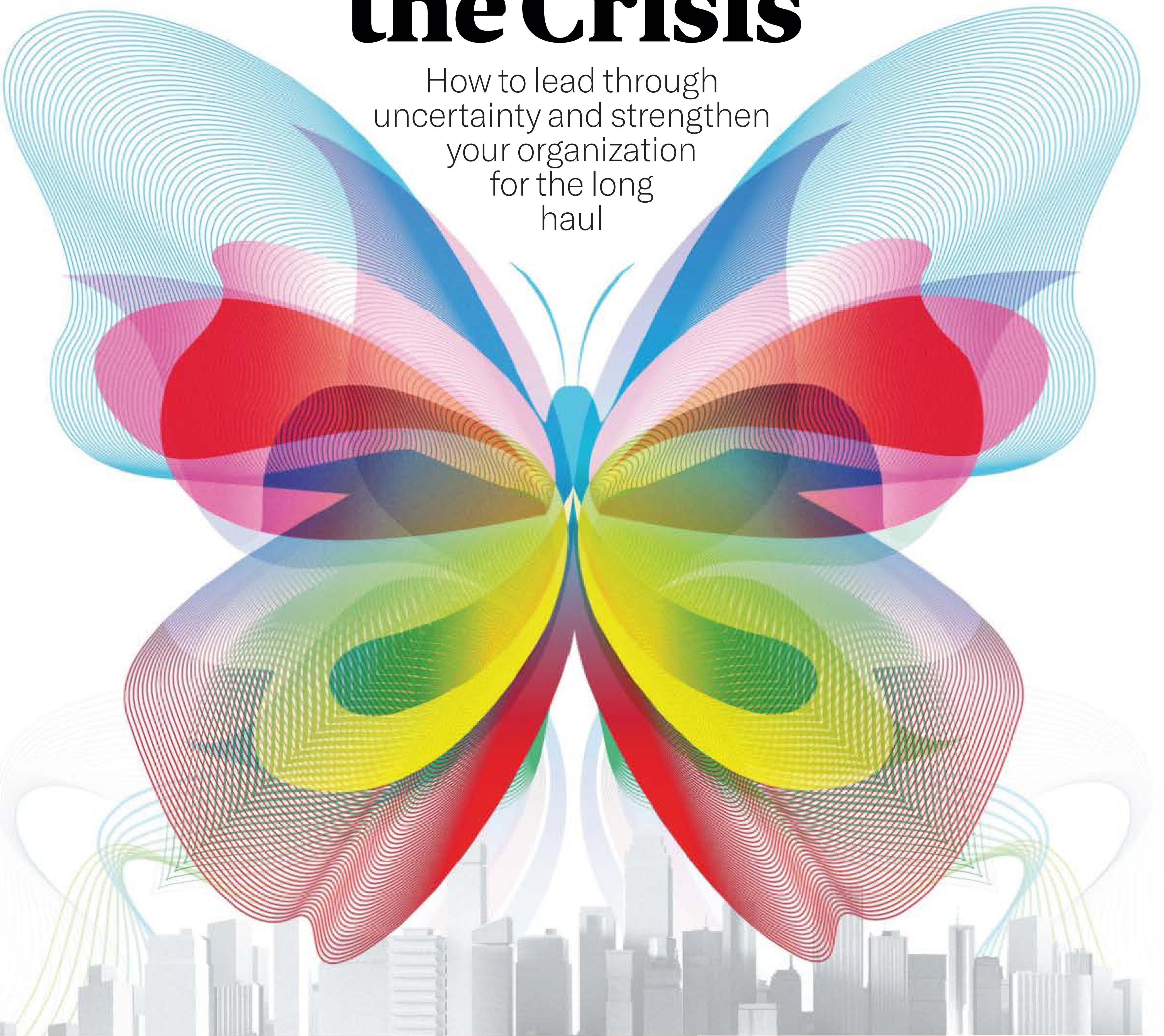
# Harvard Business Review

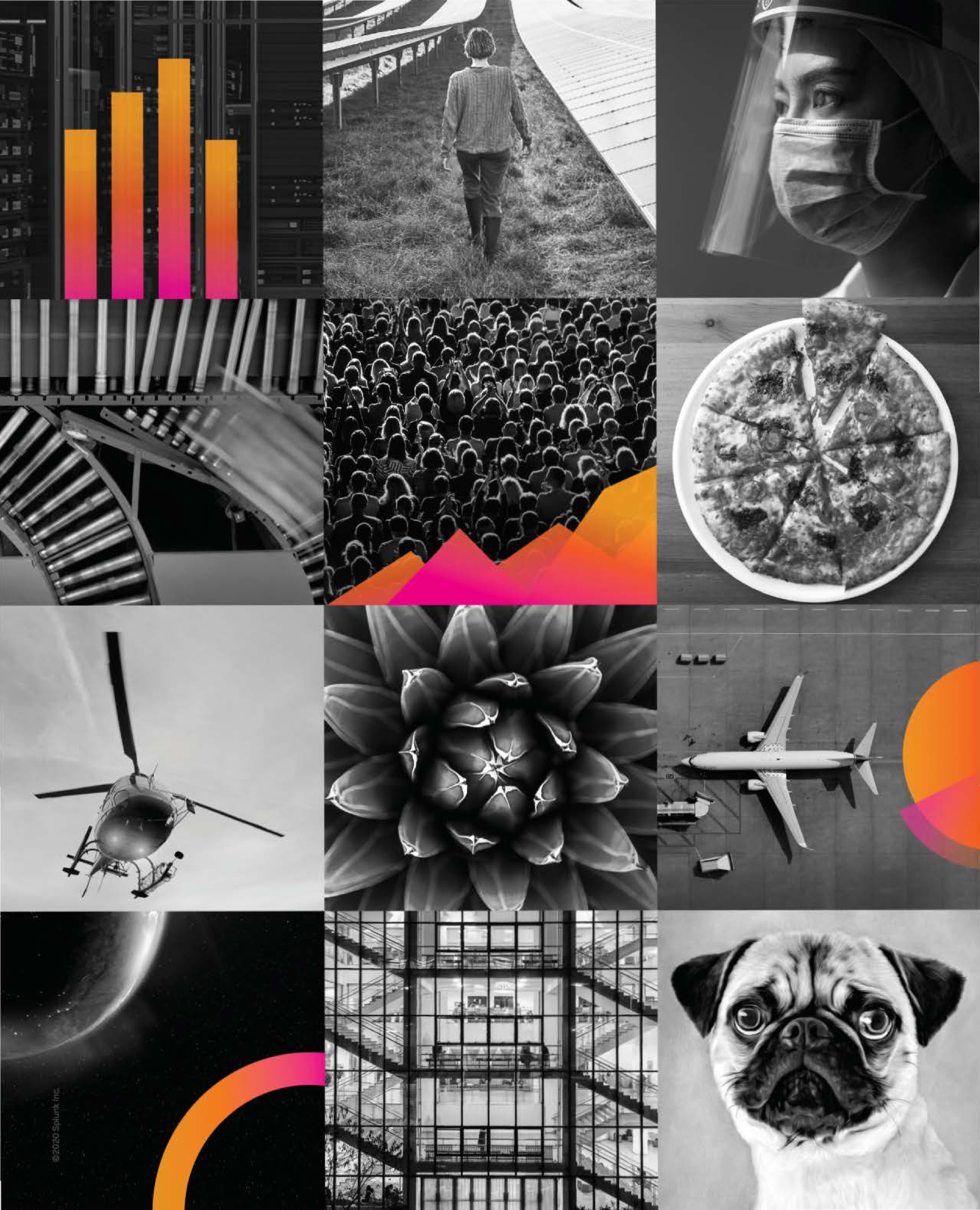


HBR.ORG
July–August 2020

# Emerging From the Crisis

How to lead through uncertainty and strengthen your organization for the long haul





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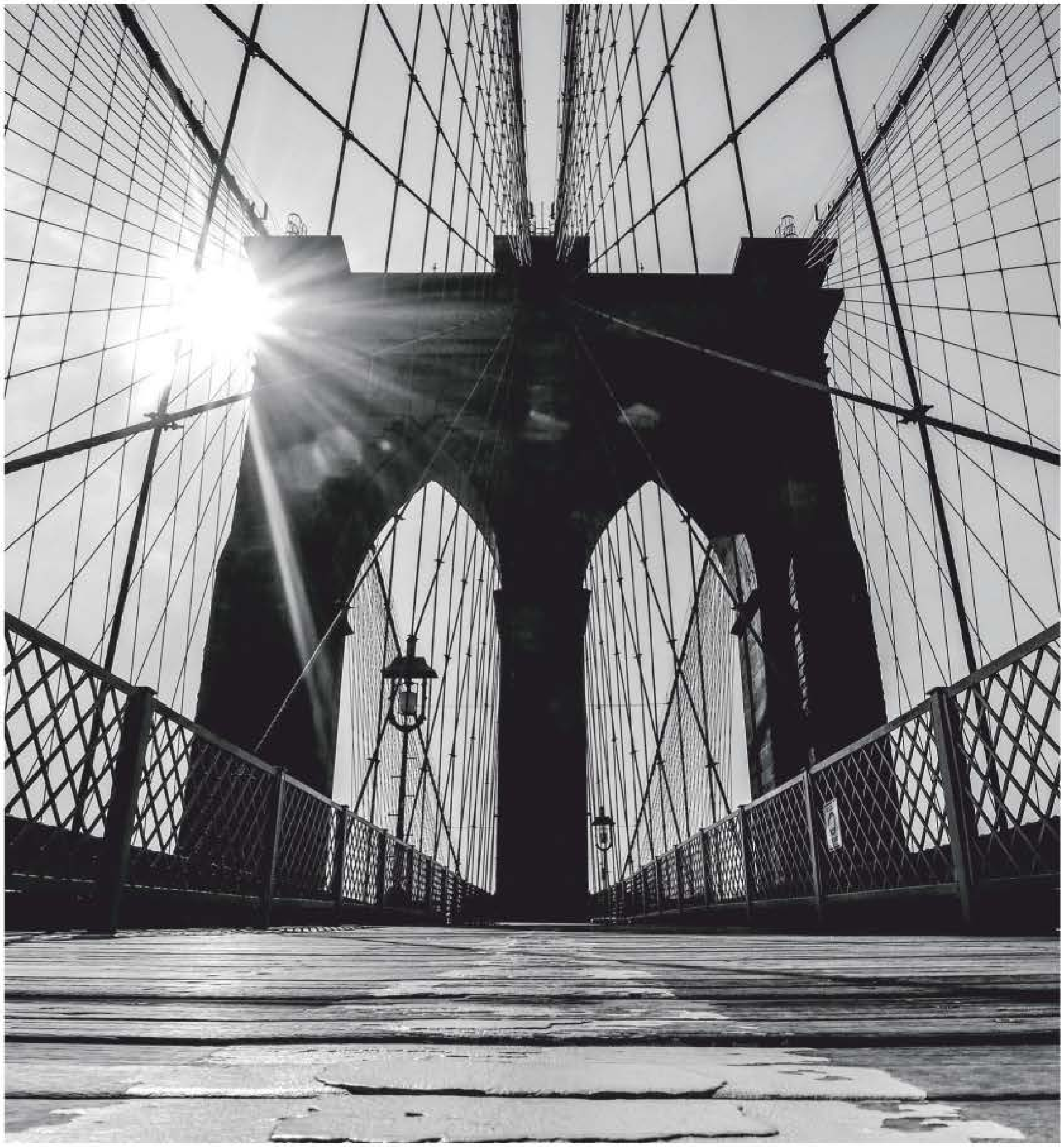


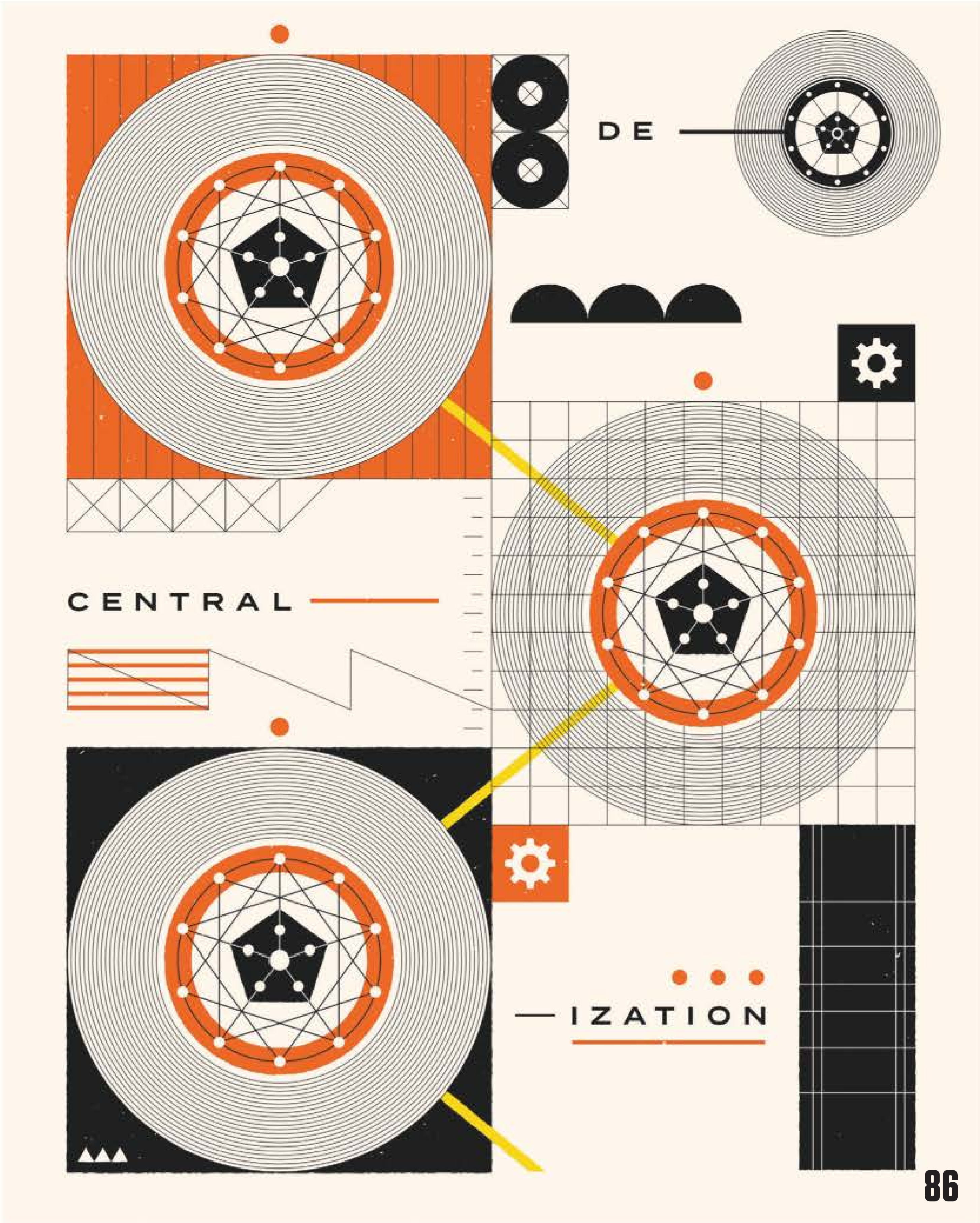
Gary Hershorn/Getty Images

*"Organizations don't just prepare for the future. They make it."* **PAGE 38**



COVER ILLUSTRATION
Sean McCabe

July–August 2020




# 56 FEATURES





*Illustration by* RICKY LINN

## July–August 2020

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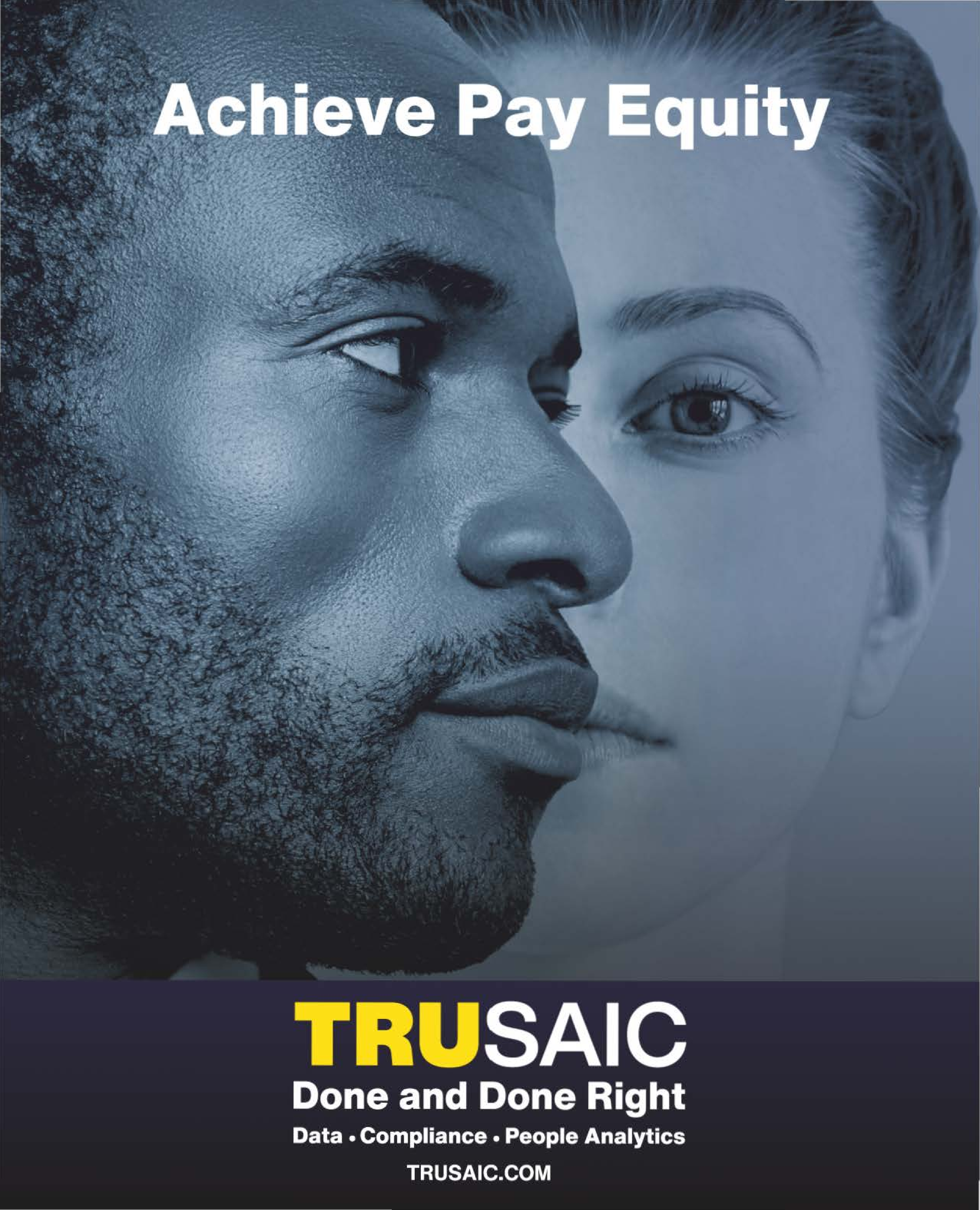
# DEPARTMENTS



> ***"This was a crisis, and we had a product that could genuinely help people get through it."***
>
> –STEWART BUTTERFIELD, SLACK CEO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# Finding Resilience

*Participants in the Spotlight roundtable discussion on page 48 (clockwise from upper left): Tory Burch, Kevin Sneader, Nancy McKinstry, Adi Ignatius, and Chuck Robbins (not shown: Geoff Martha)*

AS I WRITE, early in May, I am working from home, as are my colleagues in Boston, New York, and around the world. By the time you read this note, we'll be well down the path toward a new normal—learning which business practices still make sense and which need to change. The most obvious challenge, of course, is deciding how and where work gets done. But most businesses face deeper questions about how they can survive—and thrive—going forward.

Articles in this issue address big strategic questions along with smaller-scale human ones. "Learning from the Future" describes an updated version of scenario planning, focused particularly on long-term planning in a crisis. In the CEO roundtable, five executives share their perspectives on balancing immediate crisis management and future reinvention. "Helping Your Team Heal," which examines the nature of grief and loss, builds on an essay that appeared on our website in the early days of the pandemic. The extraordinary response that essay received helped us understand that grief is central to how people are experiencing this time—even people who haven't lost loved ones. "Growth After Trauma" looks ahead to when grief has receded for most of us. It describes the remarkable strength some people display in the aftermath of a disaster.

Resilience—for both individuals and organizations—will be an essential attribute as we move through this crisis and into the future.

**ADI IGNATIUS**
Editor in chief

# Contributors

In 2013 **Katherine Gehl** was refining the competitive strategy for her high-tech food-manufacturing company and using HBS Professor Michael Porter's Five Forces model. She was also running a competitive analysis of U.S. politics. She had a "light bulb moment" as industry competition illuminated the root causes of political dysfunction—and potential solutions. After selling her company, Gehl developed the business case for political innovation and asked Porter to coauthor a book, *The Politics Industry* (Harvard Business Review Press, 2020), and the article in this issue.

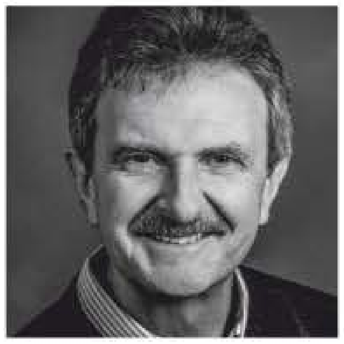
114 Fixing U.S. Politics

**David Kessler** had been pondering the idea that there might be more than the five stages of grief described in his and Elisabeth Kübler-Ross's landmark book *On Grief and Grieving* when tragedy befell him: He unexpectedly lost a son and had to deal with his own grief. He became convinced that there was a sixth stage: *meaning,* which he has experienced and which is the subject of his latest book, *Finding Meaning.* In this issue he helps the rest of us understand the grief we experience during the pandemic, navigate a return to normal, and begin to find meaning.

53 Helping Your Team Heal

When **Elizabeth Long Lingo** was growing up, she heard her father talk about the power dynamics at the companies where he was a middle manager. At Harvard Business School, Lingo took an organizational behavior course from Kathleen McGinn, her coauthor in this issue, who was developing an elective on power and influence, and the two have collaborated since. Now an assistant professor of innovative leadership and creative enterprise at Worcester Polytechnic Institute, Lingo continues to share McGinn's interest in leadership as "power with" rather than "power over."

66 A New Prescription for Power



**Richard Tedeschi** originated the concept of posttraumatic growth with his colleague Lawrence Calhoun during their years at the University of North Carolina at Charlotte. Now the distinguished chair of the Boulder Crest Institute, Tedeschi has recently worked to create innovative programs aimed at veterans and first responders. He is a coauthor of *Transformed by Trauma: Stories of Posttraumatic Growth* (2020), about the experiences of military families.

127 Growth After Trauma

"I like to make people laugh with my pictures," says **Helge Skodvin**, a Norwegian carpenter turned professional photographer. "I like to capture everyday surrealism." Skodvin shot the series that appears in this issue in 2014, when the Natural History Museum in Bergen, Norway, undertook the process of archiving its vast collection of taxidermic animals. "This project was special," he says, "because I was not allowed to touch the animals, nothing was staged, and I shot everything using available light; the result is sort of funny and very pleasing to the eye."

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# IdeaWatch

## New Research and Emerging Insights


IN THEORY

# WHY EMPLOYEE EXPERIENCE INITIATIVES FALL SHORT

## Companies need to focus on how people feel about them, even in a recession.

**AFTER A DECADE** of growth and historically low unemployment, organizations now find themselves in a much different world. But even as companies are forced to shed jobs and dramatically tighten belts, smart managers must keep their eyes on the horizon: Recessions eventually end, and when this one does, companies in many industries will return to an atmosphere where keeping talent happy is a priority.

*Illustrations by* TIM BOWER

That can be a challenge. According to a global study by the research and advisory firm Gartner, in 2019 companies spent an average of $2,420 per person on efforts to enhance the employee experience. Such initiatives typically include flexible work policies, workplace redesigns, and learning and development opportunities, to cite just a few examples. When organizations meet their workers' experience expectations, the researchers found, they see boosts in effort, productivity, and retention. But the ROI from such initiatives is disappointing: Only 13% of employees in the study reported being fully satisfied with their experience. "Simply investing in these programs is not enough," says Caroline Walsh, a vice president in Gartner's human resources practice. "Companies taking that approach only drive up expectations," creating a vicious cycle in which employee desires and organizational spending fuel each other.

The study—a survey of nearly 150 HR executives and 3,000 employees worldwide—reveals that for better returns, organizations need to complement investments with measures to help shape people's understanding of their experience. That's a three-part process.

**Calibrating expectations.** Most companies ask employees what they want from their work experience—but too often they stop there. "Expectations are relative," Walsh says, pointing out that they are influenced by prior jobs, personal events, peers, and other factors. They may also be incomplete: Research shows that only about a fifth of employees are candid about their wishes. And those may be infeasible or impossible to implement.

So an organization should be clear about what it can—and can't—deliver given the available resources and priorities, which will change as the economy ebbs and flows. "There need to be some guardrails," Walsh says. "Is this idea relevant to the entire company? Is it tied to our business goals and strategy?" Once those guardrails are in place, HR leaders should involve employees in creating a companywide "experience vision"—for instance, by surveying them about what changes they would implement and what makes them excited to come to work.

Finally, rather than issue top-down, blanket directives about what to expect, managers should engage in one-on-one dialogues to align each employee's hoped-for experience with the organizational vision. At Silicon Valley Bank, employees create "experience blueprints" in daylong workshops designed to help them determine and document their priorities. These become the basis for ongoing conversations with their managers (whom SVB calls coaches) about what to anticipate and whether those priorities are reflected in their realities over time.

**Personalizing the day-to-day experience.** Most organizations recognize the pitfalls of a one-size-fits-all approach, but customization usually falls to managers, who may have limited bandwidth, may lack full visibility into what each employee wants, and may not be completely trusted by direct reports. Firms get better results when managers partner with employees to this end.

The first step is sharing information so that workers can see places to make improvements. "It's hard to benchmark your experience if it's a sample of one," says Leah Johnson, also a VP in Gartner's HR practice. One large software company created a dashboard on which it posts biannual engagement survey results and personal descriptions of experiences employees have had. Town hall meetings and webinars can serve the same purpose. A team learning that members lack confidence in their digital skills might request training, for example, while an employee with young children might look for areas of the firm with the work/life balance he's seeking.

Employees might fear repercussions from voicing their requests, so leaders

Managers should take a long view, focusing on salient events rather than on incidents, such as technology glitches, that may feel urgent in the moment but quickly fade.

need to create a psychologically safe environment for discussions. To keep people from being overwhelmed by possibilities, managers can provide each worker with a set of relevant choices—for instance, personalized suggestions for training opportunities. They can create default options to make it easier to act. And they can connect employees with others in the organization who have insights to share.

**Shaping memories—both good and bad.** Organizations often focus on responding to negative experiences with all possible speed—but that doesn't always help, and it can mean engaging in issues that don't actually matter much to employees or the business. Managers should borrow a leaf from the customer-experience book and take a long view, concentrating on how employees will recall their experience over time and focusing on salient events rather than on incidents, such as technology glitches, that may feel urgent in the moment but quickly fade. They can seek to reframe memories of negative experiences by acknowledging that a problem occurred and emphasizing that because of the employee's feedback, things will go better in the future. As part of Microsoft's Acknowledge It email initiative, HR and business leaders send personal messages to employees who had rocky moments in their onboarding, thanking them for their feedback and underscoring how it made a difference for others. They also send thank-you emails during the offboarding process, acknowledging the contributions of departing employees. Since rolling out the initiative two years ago, the company has seen boosts in engagement, retention, and advocacy.

It's equally important to reinforce positive experiences—an insight that was one of the researchers' biggest "aha" moments, Johnson says. Too many firms treat employee experience initiatives like a marketing campaign, issuing formal statements when they are introduced—an approach that can feel inauthentic and irrelevant. One large government agency has taken a different tack. It created a road map depicting all its employee experience improvements, from new phone systems to a mental health resources program. HR leaders ask employees to reflect on how the programs have improved their work lives and encourage them to post their stories on the road map and share them in team meetings, off-sites, internal newsletters, and other forums. As companies emerge from the current crisis, leaders might seek ways to highlight examples of how they supported their employees, such as by continuing to pay sidelined workers or providing extended sick leave.

All these activities should supplement, not replace, an organization's fundamental investments in experience, the researchers emphasize. "Companies have to be shaping the experience *of something,*" Walsh says. They constitute a significant opportunity for employees and employers alike. Each year, Gartner finds, organizations that take a shaping approach will have largely satisfied 32% more employees than their counterparts have, at a 32% lower cost. Those employees will be less likely than others to jump ship, and they'll put in more discretionary effort and perform at higher levels—raising their companies' chances of meeting their customer satisfaction, innovation, and reputational goals.

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**ABOUT THE RESEARCH** *"The Modern Employee Experience: Increasing the Returns on Employee Experience Investments," by Gartner (white paper)*

IN PRACTICE

# “Everyone Goes at Their Own Speed”

***Peter Vultaggio** is the global head of talent development and change management at Silicon Valley Bank. He recently spoke with HBR about the organization’s “experience blueprints”—an ongoing initiative to help employees identify the values, interests, strengths, and goals that are most important to them. Edited excerpts follow.*

**How did you begin?**
The first task was to encourage more-expansive thinking among employees. We ran workshops on the neuroscience of change, on mindset, on mindfulness, to start cracking open our ways of seeing ourselves and what we’re capable of. Only after that did we move to the blueprint workshops.

**Describe how those work.**
These are full-day immersive sessions that help employees learn about themselves and discover what they value most. In one exercise, for example, participants think about people they look up to, and we help them break down the specific behaviors they admire and want to emulate. By talking about the results in one-on-ones and in groups, people form a story about themselves that they can share with their teammates and coaches and with the larger firm.

**What happens then?**
The real power comes after the workshops, as employees have ongoing conversations with their coaches. Once they’ve identified their key values and areas of interest, there’s the question: What’s keeping you from them? In some cases, people decide they’re in the wrong role and move to a different position or department. Other times, they realize that pursuing a particular interest doesn’t align with certain priorities they’ve just identified—family or community work, say—and they internally recalibrate, reducing a source of stress and angst. Some people find that our firm actually isn’t a good fit, and they leave with our blessing.

**How do you create a psychologically safe space for this work?**
Coaches go through the workshops in small groups alongside their teams, so they are learning about themselves and their people at the same time, which helps everyone feel more secure. And there aren’t any mandates: Everyone goes at their own speed. Coaches are trained to ask open-ended questions that let people share as they see fit.

**What challenges did you face?**
At first, our leadership was concerned that people might not be realistic about what we could accommodate, though we actually found the opposite. In addition, some people initially said, “I’m not sure I’m comfortable with this—it sounds like therapy.” We had to overcome that. Finally, time and cost were an issue. We operate a lot of call centers and had to be creative about how we rotated people in and out to attend the workshops. But the firm quickly saw that this more than pays for itself by what we get back and how great the employees come to feel about themselves and SVB.

**What gains have you realized?**
More people are taking advantage of development opportunities as they become more confident about what to seek out. Business units that have gone through the workshop are also seeing improvements in engagement. And we can run change management a lot more smoothly now. When people are working on things they value and feel good about their contributions, it’s a little easier to turn the ship.

Illustration by STANLEY CHOW

IdeaWatch

THE CAMERA NEVER LIES—EVEN IF ITS SUBJECTS DO

**Voters in Sierra Leone could identify with above-chance accuracy which politicians are corrupt simply by looking at their headshots.**

"Snap Judgments: Predicting Politician Competence from Photos," by Katherine Casey

MARKETING

# An Unanticipated Effect of Price Promotions

Deals are a ubiquitous feature of the retail landscape, touted on TV, in social media feeds, even on pizza boxes and the digital displays of gas station pumps. Prior research has found that they can elevate consumers' moods, increase the enjoyment people get from purchased items, and enhance their opinion of both on-sale and unrelated products. New work finds a less salutary effect: Price promotions trigger impatience.

In seven studies, researchers manipulated people's incidental exposure to price promotions (for example, by having subjects evaluate the attractiveness and utility of credit card designs that either included or omitted promotional language) and then measured their impatience in various settings. Participants exposed to promotions were more willing than others to spend extra money to avoid waiting for a bus and to break a rule to avoid a long checkout line; they also spent less time waiting for a video to load before giving up and made faster selections in a food court. These things happened, the researchers say, because promotions activate reward-seeking behavior, which causes people to pursue immediate gratification.

"Price promotions should be seen as a double-edged sword," the researchers write, adding that managers should give careful thought to context when deciding whether to deploy them. "A restaurant seeking to turn its tables over more quickly might offer patrons coupons alongside their checks at the end of meals," whereas in situations where people must queue in a long line, "managers might be wise to try to limit customers' incidental exposure."

**ABOUT THE RESEARCH** *"Price Promotions Cause Impatience," by Franklin Shaddy and Leonard Lee* (Journal of Marketing Research, *2020)*

GENDER

# Yet Another Challenge for Female Leaders

Few of us enjoy getting criticism from our boss—and a new study shows that people like it even less when the boss is a woman.

The researcher recruited 2,700 subjects for a transcription job, randomly assigning the gender of their fictitious managers. Halfway through the task, the "managers" gave a subset of workers positive or negative feedback according to how well they were doing. The researcher compared all workers' effort during the rest of the task and assessed their attitude upon its completion.

Somewhat surprisingly, feedback (positive or negative) made no impact on the amount of effort people exerted after receiving it. But it was detrimental to their attitude, because the small positive effect that praise generated was outweighed by the large negative effect of criticism. In particular, criticism diminished perceptions of the task's importance and made workers less satisfied with their jobs and less interested in future employment with the fictitious firm. And when the managers dispensing the criticism were women, those effects were doubled. (Workers' own gender made no difference to results.)

In previous studies, the researcher found that people are three times as likely to associate giving praise with female bosses and twice as likely to associate giving criticism with male ones. "Female managers who criticize workers are thus violating expectations,"

he writes, “which may explain the large negative effects of such criticism from female managers.” Some reason for hope: The pattern was strongest among older workers and absent among those in their twenties.

**ABOUT THE RESEARCH** *“Do Workers Discriminate Against Female Bosses?” by Martin Abel (IZA Institute of Labor Economics Discussion Paper Series, 2019)*

SMALL BUSINESSES

## Building Trust During the Pandemic

Companies that take care of their teams and make those efforts transparent stand to strengthen their consumer relationships, a new study finds—a conclusion with particular resonance in the current crisis, as sick-leave policies and other job protections are under the spotlight.

The researchers conducted a field experiment focused on Alta Gracia, a Dominican Republic–based apparel company certified for paying so-called living wages—in its case, 3.5 times the Dominican minimum wage. They showed three videos at various times over the course of a month in a U.S. college bookstore that carries Alta Gracia merchandise. One framed the living-wage policy as an initiative to support workers (“We put $8 million into the community [by] pay[ing] a living wage”); one framed it as a traditional CSR initiative external to operations (“We put $8 million into the community”); and one showed life in and around the village near the factory.

Shoppers exposed to the first video were 6% more likely to buy Alta Gracia products than shoppers exposed to the second video—and 19% more likely than shoppers exposed to the third one. “By transparently doing right by their people…organizations stand to improve their own internal performance while being rewarded for creating differentiated value for consumers—an approach to business that aligns the interests of owners, employees, customers, and society,” the researchers write.

**ABOUT THE RESEARCH** *“How Transparency into Internal and External Responsibility Initiatives Influences Consumer Choice,” by Ryan W. Buell and Basak Kalkanci* (Management Science, *forthcoming)*

WORKPLACE RELATIONSHIPS

## Should You Hide Your Emotions at the Office?

If colleagues know that you’re having a hard time in your personal life, should you pretend to be happy or admit to your distress? A new study offers guidance.

Across six experiments, researchers found that in professional contexts, subjects who feigned happiness were more likely than others to be hired and to be trusted—even as they were seen as less honest. In the first experiment, participants played the role of a manager deciding whether to assign a fictitious employee to a high-stakes task after reading that person’s responses to survey questions. Half read responses indicating that the employee would share feelings of sadness or distress; the other half read responses suggesting that he or she would keep those emotions under wraps. Participants were far more likely to give the task to an employee whose responses were more upbeat. Subsequent experiments confirmed this finding and showed that it occurred largely because feigned happiness was attributed to competence; it signaled resilience and a commitment to professional goals.

In the final experiment, the researchers asked subjects how they would respond to a distressed colleague who either opened up or chose not to in the

AN UNEXPECTED DRIVER OF CSR

**Companies engage in more socially responsible behaviors after the death of a board member, presumably because the CEO's heightened awareness of mortality inspires a wish to contribute to the greater good.**

"That Could Have Been Me: Director Deaths, CEO Mortality Salience, and Corporate Prosocial Behavior," by Guoli Chen, Craig Crossland, and Sterling Huang

workplace or over drinks. In the latter context, pretending to be happy did not increase trust or indicate competence; it simply signaled dishonesty.

"In professional settings, in which individuals have the goal of making progress on joint tasks, [they] might be well-served to display happiness," the researchers write. "In personal contexts, in which individuals have the goal of establishing intimacy and connection, [they] are unlikely to build trust by feigning happiness."

**ABOUT THE RESEARCH** *"Fibbing About Your Feelings: How Feigning Happiness in the Face of Personal Hardship Affects Trust," by Emma E. Levine and Kristina A. Wald* (Organizational Behavior and Human Decision Processes, *2020)*

SUPPLY CHAIN

## A Practical Approach to Managing Sourcing Risk

As manufacturers struggle amid the pandemic, their difficulties may be amplified by long-standing weaknesses in their supply chains. To boost resilience, the risk-mapping firm Resilinc advises considering the likelihood of disruption within each direct and subtier supplier, along with the potential impact on revenue, and focusing actions accordingly.

| | **Low risk of supply disruption** Two or more qualified sources are available | **High risk of supply disruption** No alternatives to existing sources are available |
|---|---|---|
| **High impact on revenue** if supplier or material is lost | • Monitor suppliers 24/7.<br>• Source from two suppliers (75%/25%) rather than one.<br>• Buy insurance to cover profits lost from disruptive events at critical suppliers' sites.<br>• Identify the subtier suppliers that direct suppliers use for critical parts or materials.<br>• Map suppliers' manufacturing, warehouse, and distribution sites to ensure that they're not all in the same region. | • Monitor suppliers 24/7.<br>• Know where suppliers build and store your parts and raw materials.<br>• Buy insurance to cover profits lost from disruptive events at critical suppliers' sites.<br>• Identify and monitor the subtier suppliers that direct suppliers use for critical parts or materials.<br>• Help sole-source suppliers develop alternate sources, and ask them to build and store parts in multiple sites.<br>• Ensure that direct suppliers have comprehensive risk-management programs (for instance, they map and monitor their own suppliers, adding alternate sources for the highest-risk ones). |
| **Low impact on revenue** if supplier or material is lost | • Monitor suppliers for changes that might increase their risk, such as corporate restructurings, M&A, profit warnings, and lawsuits.<br>• Identify suppliers that rely on the same subtier suppliers for critical materials.<br>• Know where suppliers' manufacturing and warehouse sites are located, and seek geographic diversity. | • Monitor suppliers 24/7.<br>• Know where suppliers build and store your parts and raw materials.<br>• Identify subtier suppliers and sites.<br>• Ask suppliers to build and store parts at multiple sites (particularly if there is no alternate supplier).<br>• Ensure that direct suppliers have comprehensive risk-management programs (for instance, they map and monitor their own suppliers, adding alternate sources for the highest-risk ones). |

Source: Resilinc

RETAIL

## One Bad Review Is All It Takes

Online merchants go to great lengths to amass positive customer reviews. A new study suggests that just one negative review can undermine their efforts.

The researchers analyzed three months' worth of clickstream data from a large online retailer, comparing the purchase and browsing activity of consumers who saw a single negative review (one, two, or three out of five stars) with that of customers who visited the same product page but did not see the bad review, either because they did not scroll down or because it was on a subsequent page. Seeing the negative review decreased purchase probability by 51%, on average, and raised the chances that the consumer would search for a substitute by 11%. Consumers who found and bought a substitute spent 16% more for it, suggesting that people will pay a premium to avoid the uncertainty triggered by a bad review.

"Companies might want to focus less on cultivating a forest of great reviews and more on the state of each tree the customer may see," the researchers advise. "Managers would do well to redouble their efforts to please customers who register their displeasure...and only then ever-so-politely request that the complainant revise" his or her review.

**ABOUT THE RESEARCH** *"Measuring the Impact of a Single Negative Customer Review on Online Search and Purchase Decisions," by Marton Varga and Paulo Albuquerque (working paper)*

IdeaWatch

BIAS

## Are Consumers Really to Blame for Hollywood's Diversity Problem?

The success of recent films such as *Moonlight* and *Black Panther* notwithstanding, minority underrepresentation on the silver screen remains a persistent problem. Industry leaders have suggested that it occurs in part because audiences, especially lucrative foreign ones, prefer all-white casts—a version of the so-called consumer discrimination theory. A new study challenges that explanation.

The researchers analyzed the racial composition and box-office performance of 925 feature films released in the United States from 2011 to 2016. Controlling for factors including production and advertising budgets, seasonality and breadth of release, quality (as measured by Rotten Tomato scores), genre, and cast star power, they found no evidence that the presence of black, Hispanic, or Asian actors hurt commercial performance at home or abroad. In fact, films with multiple black actors achieved significantly higher domestic revenues than did those with one or no black actors.

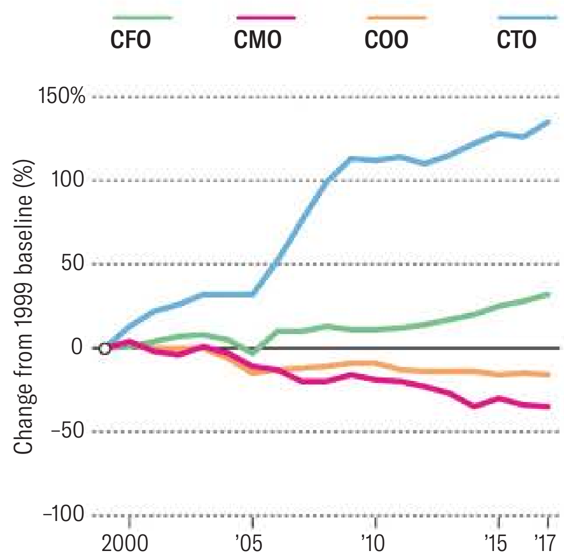
Further work is needed to determine whether consumer discrimination contributes to minority underrepresentation in other industries, the researchers say, pointing out that unlike many consumer-employee interactions (in banking, for example), actor-audience contact is indirect. Still, the study's findings "help discredit one rationale for unequal hiring in cultural instances," they write. "[Results] also suggest an important qualification to the theory of consumer discrimination: in settings where employee race is visible but the consumer is physically distant, diversity is more profitable than costly."

**ABOUT THE RESEARCH** *"Testing the Theory of Consumer Discrimination as an Explanation for the Lack of Minority Hiring in Hollywood Films," by Venkat Kuppuswamy and Peter Younkin* (Management Science, *2020)*

MARKETING

## CMOs' Declining Fortunes

Is marketing as a function losing its luster? Researchers looked at the five highest-paid executives of each S&P 1500 firm from 1999 to 2017. The chart below shows the change over time in the proportion of various C-suite officers in the top tier. CMOs have seen a relative decline, perhaps owing to the proliferation of tech companies (which tend to invest less in traditional marketing), a decline in retailers and manufacturers (which are more reliant on it), and changes to marketing itself, as customers increasingly get information online rather than from ads.




Source: Analysis of S&P ExecuComp data by Shivaram Rajgopal and Anup Srivastava

# IdeaWatch

START-UPS

## Entrepreneurs Should Use the Scientific Method

Researchers and practitioners have developed an array of frameworks to guide entrepreneurial decision-making, such as discovery-driven planning and design thinking. A new study looks at whether application of the traditional scientific method can boost success.

The researchers enrolled 116 early-stage Italian start-ups in a 10-session training program. All the founders received the same general instructions about obtaining early feedback from the market, running experiments to assess their business models or products, and making modifications when necessary. Half were encouraged to pursue those activities using the practices of research scientists: frame, identify, and validate the problem; formulate a clear hypothesis and test it with data and experiments; and establish reliable metrics for determining whether the hypothesis holds up. The other half proceeded on the basis of their intuition and heuristics.

Monitoring performance for several months afterward, the researchers found that the start-ups whose founders were encouraged to use scientific rigor were more likely than the others to acquire or activate customers, and they earned higher revenues. They were also more likely to pivot to new ideas or drop their businesses altogether—suggesting that the approach can reduce the odds of pursuing a doomed project. Entrepreneurs that used the scientific method could "better mitigate their biases... when they analyze[d] market signals, reducing the likelihood of incurring false positives and false negatives," the researchers write.

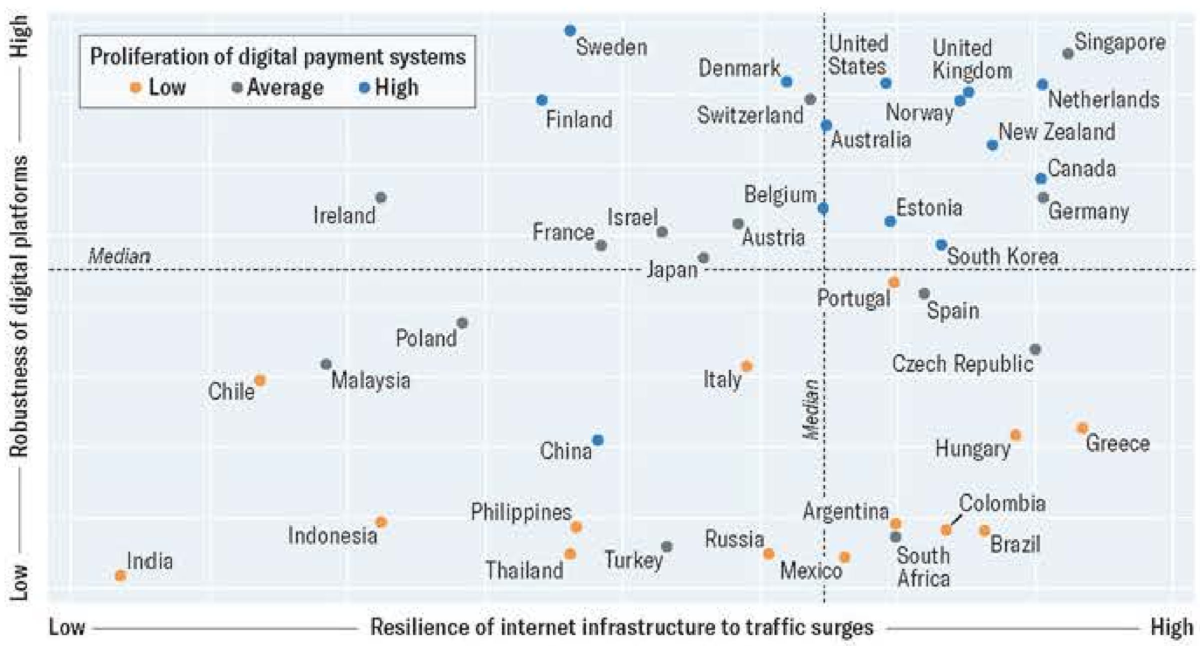
**ABOUT THE RESEARCH** *"A Scientific Approach to Entrepreneurial Decision Making: Evidence from a Randomized Control Trial," by Arnaldo Camuffo et al. (Management Science, 2020)*

DIGITAL TECHNOLOGIES

## Where Working from Home Works Best

Which countries are well positioned to have their citizens work remotely? Researchers examined how 42 economies stack up on three measures of readiness: the robustness of videoconferencing and other digital platforms needed for business continuity, the ability of internet infrastructure to withstand spikes in traffic, and the existence of secure digital payment methods.

Source: Imagining a Digital Economy for All: IDEA 2030 initiative, the Fletcher School, Tufts University






COMPILED BY HBR EDITORS | SOME OF THESE ARTICLES PREVIOUSLY APPEARED IN DIFFERENT FORM ON HBR.ORG.

**IdeaWatch**

**Henrik Cronqvist** of the University of Miami Herbert Business School and colleagues compiled data on U.S. CEOs' socioeconomic backgrounds and their firms' personnel practices and policies, as reflected by union and employee litigation, occupational safety metrics, and employee reviews. They found that CEOs raised in less-wealthy households were more likely to run companies that did not treat workers well. **The conclusion:**

# CEOs from Working-Class Families Support Less-Labor-Friendly Policies

## Professor Cronqvist, DEFEND YOUR RESEARCH

**CRONQVIST:** This finding may seem counterintuitive at a glance. But I'd argue there's actually an intuitive case to be made for either effect our research might have found. Here's what I mean: On the one hand, you could imagine that if you grew up in a working-class household and saw that your mom or dad wasn't treated well as an employee, you'd learn from it and implement more-labor-friendly policies as a CEO. On the other hand, maybe you'd be more likely to tolerate ungenerous corporate behavior. When my coauthors—Irena Hutton of Florida State and Danling Jiang of Stony Brook University—and I looked at the S&P 1500 CEOs from 1992 to 2017 for whom we had enough information, we found evidence of the latter, not the former.

**HBR: Is the basis of your finding psychological? Do people tend to replicate the conditions they've grown up in?** Psychology certainly is a factor, but I think economics and sociology are too. Quite a bit of previous work in those three fields investigates "occupational norms" and shows that they're shaped in part by our childhood and adolescent experiences—what we see, what information we get, and what we discuss throughout them. Growing up in a white-collar home is quite different from growing up in a blue-collar one. The occupational experiences of blue-collar parents are going to reflect lower pay, less job security, limited benefits, higher physical demands, and odd hours. We wanted to find out if there was a link between the conditions CEOs were raised in and the norms they were exposed to and their attitudes toward workers as seen in their labor policies.

**How did you measure socioeconomic background?** Historically, social class is considered a function of three factors: income, education, and occupation. In our case we decided to look primarily at parents' occupations. We used a variety of sources, such as newspapers, professional societies, school and university alumni publications, and speeches at events to track down that information for the parents of 1,626 U.S. CEOs. We then sorted them into five socioeconomic classes: upper class (CEOs, philanthropists, business moguls), professional class (doctors, judges, high-ranking army officers), middle class (accountants, engineers, teachers), working class (carpenters, plumbers, truck drivers), and poor (unemployed, odd jobs, sharecroppers).

**What about this idea of employee-friendly policies? How did you measure that?** Ah yes! We didn't think there was one metric that would be perfect. So we looked at three that captured outcomes related to labor policies. The first was the number of employee or union lawsuits—the idea being that if employees or unions were suing a firm, it probably had worse labor practices. We also considered workplace violations identified in Occupational Safety and Health Administration inspections; more of them obviously meant a less-friendly work environment. Finally, we looked at employees' own ratings of firms, which we collected from Glassdoor.com because it's the most robust database of feedback on S&P 1500 companies. We felt that if these three metrics pointed in the same direction for each firm—which they did—then we'd have a good sense of how well a company was treating its workers.

**Aren't there a lot of other factors you could have considered—paid leave, vacation, health care coverage?** That's a good question. But in our analysis the friendliness of benefits is reflected in employees' Glassdoor reviews.

**I imagine that litigation, OSHA complaints, and even reviews varied considerably by industry, though. Maybe CEOs who grew up poor are more likely to preside over companies doing more-dangerous work?** You're absolutely right that there's some critical variation across industries. But our statistical analysis controlled for that. This isn't a phenomenon that happens within some industries but not others. We controlled for other significant business factors, too, including firm size, total assets, profitability, leverage ratio, and market-to-book ratio.

**Was there any difference between CEOs who'd founded their companies and those who hadn't?** That's important because founders are often more involved in establishing their company's culture, so we controlled for that, too. The effect, we discovered, was the same for founder CEOs and professional CEOs.

**How do you know that CEOs, rather than their predecessors or their boards, set the labor policies?** One of my favorite ways of trying to address causality was to look at changes in CEOs. And what we saw was that if a firm transitioned from a CEO with a blue-collar background to a CEO with a white-collar one, its policies got friendlier.

**What about geography? Did your findings hold no matter where a company was headquartered?** We sampled firms from across the country, but we didn't control for geography. We could do that in the future to see if any differences emerged among firms based in different regions. It would also be interesting, albeit very difficult, to do a study like this in an international setting.

**There's a complicated relationship between socioeconomic class and race in the United States. How did your research approach that question?** We didn't look at race specifically. We did, however, correlate CEOs' socioeconomic classifications with a few other background characteristics—for example, whether their parents were immigrants or minorities, had served in the military, or had attended Ivy League schools. And we did find some correlations. CEOs whose parents had Ivy League degrees were very likely to be upper-class, and those with immigrant or minority backgrounds were more likely to be working-class or poor. That being said, only 5.7% of CEOs in our sample were minorities, so these correlations are limited in what they tell us.

**What about female versus male CEOs?** We would have done that analysis, but unfortunately only 4.4% of the leaders in our sample were women, so it would have been impossible to draw any substantive conclusions. We did, however, analyze a characteristic related to gender: whether a CEO's mother had worked. And if the leader's mom had held a job, the effect was actually stronger—that is, the labor policies of the CEO's firm were even worse.

**What conclusions do you draw from that?** Well, the CEOs in our data set are relatively older: The average year of birth was 1946–1947. And we know that most women had an even harder time in the workplace back in the 1950s and 1960s. So a future CEO whose mother worked would have been exposed to harsher occupational norms early on.

**That makes me wonder: Were there any notable generational trends in your findings?** In fact, yes—and this is a more positive note! If you look at CEOs born in 1960 or later—that is, who are 60 years old or younger—the effect tends to be more muted, which suggests that a generational force could be at work here. Younger CEOs are also less stratified with respect to their labor policies; their socioeconomic backgrounds matter less. That could bode well for the future, but it will take time to know for sure if the trend will continue.

**Have you seen any of this playing out in companies' responses to the coronavirus crisis?** We have no systematic evidence about this yet, but some of the variation in actions and policies with respect to workers' health and safety during the pandemic could be attributable to a CEO's upbringing. Also, this crisis and poor economic conditions will shape an entire generation, just as the 1930s created "Depression babies." Our research suggests that those growing up poor in today's crisis will be more likely to tolerate less-worker-friendly corporate practices if they become CEOs.

Interview by **Ramsey Khabbaz**

**HBR Reprint** F2004B

HOW I DID IT

# THE CEO OF SLACK ON ADAPTING IN RESPONSE TO A GLOBAL CRISIS

by Stewart Butterfield

**AS THE CEO** of a company that went from a launch in 2014 to a public listing in 2019, I've been through plenty of periods of rapid acceleration, and so has the entire team at Slack. We're now a global operation with more than 2,000 employees and 100,000-plus paid customers, but we haven't lost our start-up mentality. Our vision is a world where organizational agility is easy to achieve, regardless of an institution's size, and that agility is what we aim for ourselves.

Winni Wintermeyer/Redux

But we have never moved with more speed—and clarity of focus—than we did this past March. As the magnitude of the Covid-19 crisis became clear, we realized that we would need to meet twin challenges: dramatically increasing customer demand and an extremely abrupt transition to working remotely.

The first week of March was not much different from the weeks prior. Because of the outbreak in China and fears of a spread in Asia, we had already decided to close our offices in Tokyo and Osaka. We also decided to make our annual global sales offsite, an 800-person gathering scheduled for March 9–13, an online-only event, and we issued an optional work-from-home policy and recommended travel restrictions for the entire company. We'd noticed an uptick in new teams based in Japan, South Korea, and Italy; we launched resources, including webinars and one-on-one live consultations, for people in those and other virus-hit areas who were shifting to remote work.

At the same time, however, we were of course continuing all our normal operations—closing customer deals, launching features, making hires, and so on. On Thursday, March 5, we held the regularly scheduled board of directors meeting at our San Francisco headquarters to discuss plans for the new fiscal year, including budgets and forecasts for various parts of the business, hiring, new-office leases, and the quarterly guidance we would soon issue—only our third earnings announcement as a public company.

To give you a sense of just how different things were then: Cal Henderson, Slack's cofounder and our CTO, attended the board meeting in person even though he had just returned from Asia with sniffles and sneezes. One board member questioned Cal's presence and suggested that we might not be taking the health crisis as seriously as we should, but his was the lone voice of caution at the time. (Thankfully, Cal had just a cold.)

Within hours it was obvious that the board member had been right. We learned that one of our Bay Area employees had been contacted by the Centers for Disease Control about possible coronavirus exposure and had begun self-quarantining. We immediately decided to temporarily close the offices where the employee worked and have them deep-cleaned the next day.

Meanwhile, the news from Europe and both the West and East Coasts was worsening, and calls increased for widespread social distancing. By Friday, just 24 hours later, we knew that we needed to close every other Slack office along with the ones in Japan—16 locations in nine countries.

Our own work was far from the only thing on our minds, though. In some ways Slack the company was ready for this: We live day in and day out with Slack the product, which keeps us connected whether we're in the office, on the road, at home, or anywhere in between. But we knew that thousands of other companies would have to make a massive, rapid transition to remote work. And many—existing customers scaling up more rapidly and prospective ones desperate to do the same—would want our help.

I will never forget the energy, focus, and determination I saw from our employees over the next few weeks. It was as if everything I had ever hoped to accomplish for our team—a clear sense of purpose, widely understood shared objectives, and appreciation for the importance of our work, all inspiring genuine collaboration—was happening magically, by itself.

Of course, we will all remember this pandemic period for the rest of our lives. And like everyone else, I'm worried about loved ones, deeply concerned for the millions whose lives have been upended, preoccupied by the strain and craziness of quarantine (some days more than others), and profoundly uncertain about how things will unfold.

But for us at Slack, the time has also been indelibly marked by the experience of coming together to help one another, our customers (old and new), and so many groups on the front lines of this crisis. It was that month, March 2020, in which the company itself demonstrated the agility that we aspire to bring to our customers. I think our story offers lessons for other corporations and institutions, not just in times of crisis but whenever they need to adapt to unexpected changes, move quickly, and strategically scale up.

## A SMOOTH EMPLOYEE TRANSITION

Slack's origins trace back to the team that began working together at a company I cofounded in 2002. After giving up on the project that first drew us together—developing a web-based massively multiplayer game—we ended up creating the photo-sharing tool Flickr, which was acquired by Yahoo in 2005.

In 2009 the four of us left Yahoo and cofounded another company to create… another web-based massively multiplayer game. Though we were more experienced and better resourced, the game, called Glitch, was wildly ambitious and ended up caught in a major technology shift as computing-for-leisure moved to mobile. We spent three and a half years working on it but again had to pull the plug. However, the software we'd developed to connect our cross-functional team—from software developers, customer support, and business operations to artists, animators, writers, and musicians—showed a lot of promise. We committed our remaining funding to its development, built the app and platform, and in August 2013 began a closed beta for Slack: a "searchable log of all communication and knowledge."

Since then we've become an NYSE-listed company that grew revenue 57% last year, to $630 million, with enterprise customers including IBM, TD Ameritrade, GlaxoSmithKline, and Uber. We're rapidly growing and heavily reinvesting, so we're still not profitable. But we closed the past fiscal year (which for us ended on January 31, 2020) with 110,000 paying customers, nearly 900 of which spend more than $100,000 a year with us and 70 of which spend more than $1 million. That's what we reported on our March 12 earnings call. At the same time, we were flying into the future, figuring out how we would work as an all-remote organization, how best to help our customers, and how to preserve momentum as the pandemic spread and a recession loomed.

First and foremost, our response began with the health and safety of our employees. Fortunately, the employee whose possible exposure prompted our first office closure never showed any symptoms and remains well. Our hearts go out to those who have been infected, and we are extremely thankful for the caregivers tending the sick, the scientists researching treatments, and all the frontline workers who have kept food and other essentials moving around the world.

As an organization built around—and through—a channel-based messaging platform and made up mostly of knowledge workers, we transitioned to work from home relatively easily. Our entire business runs on Slack: communication and collaboration happen in channels, and we have a channel for every project, initiative, function, team, office location, large customer, event, and everything else. As a result, everyone knows where to go to ask their questions, give their updates, or catch up on decisions and results.

We've always invested in a strong and disciplined culture of communication. "Slack 101" and "102" classes are literally part of our onboarding process. We didn't need to get people up to speed on Slack or scramble to find tools to help us connect with one another remotely. We were ready, and we hit the ground running.

This was a crisis, and we had a product that could genuinely help people get through it and continue to work efficiently, whether in individual teams or in large organizations. We realized that this was our moment. We all felt a new sense of urgency and alignment: If we add this feature today, our users will be able to work more easily and effectively tomorrow. If we provide the right resources now, thousands of new customers will sign up and stick with us in the future. If we help this group of researchers work together even though they're apart, maybe they will defeat the virus.

Of course, most of that is always true, and as CEO, I'm constantly trying to hammer home how each little improvement matters. But the changes sparked by Covid-19 made that truth obvious. I didn't have to say anything. Everyone at Slack had the same instinct to prioritize the most important work.

Meetings are a great example. The hesitation, equivocation, and desire for "more research" that can cause decisions to be punted from one recurring meeting to the next? Those stopped right away. Our first employee "all-hands" while working from home lasted 22 minutes instead of an hour. Business unit leaders scrapped their long presentations in favor of 30- to 90-second updates on what was critically important. I dialed in from my laundry room because that was where I had the strongest WiFi signal. When our CMO was talking, her two daughters unexpectedly popped up on the screen. She didn't skip a beat. That got smiles at the time, but it was also called out later by employees as a significant moment in which our leaders demonstrated acceptance of the new reality. Our chief people officer, who has four young, rambunctious boys and a wife who also works, soon told everyone that he had a changed policy on meetings: He was available for them only between 11 AM and 2 PM. Many of us had added responsibilities and real challenges; it was important to recognize that and accept the need for flexibility. We didn't have to strictly adhere to previous norms. We were focused on impact.

Our customer success and experience teams turned on the afterburners and delivered support more or less around the clock, expanding online training tools; launching live, personalized assistance; and making it all free—both to existing customers and to newcomers

We didn’t need to get people up to speed on Slack or scramble to find tools to help us connect with one another remotely. We were ready, and we hit the ground running.


Butterfield (upper left corner) connects with Slack senior executives via videoconference during the coronavirus crisis.

Courtesy of Slack

who needed help getting set up with our product. Account executives sent emails to all their clients explaining our business-continuity plans and asking how we could help them through the crisis.

New Slack channels were spun up to manage all the new workstreams, including changing hundreds of on-site interviews with job candidates to videoconferences and redesigning our employee onboarding process to be completely remote. Our marketing and communications teams postponed in-person events and, in less than a week, developed our first television ad as a listed company: a public service announcement committing to help any groups (scientists, doctors, academics, researchers, designers) that were working on a Covid-19 response.

Our network operations and infrastructure engineers not only ensured that our systems were operational 99.99% of the time in a period of soaring demand, but also rolled out a planned redesign on March 18. Members of our facilities team, who couldn’t go into our offices, volunteered to get trained and support the customer service team by helping answer incoming questions.

Decisions were made faster as the usual concerns and hesitations and reasons not to move forward fell away. Even better, we all acted on a new, unspoken mantra: If you see something that needs to be done, just go ahead and do it. The natural transparency of Slack itself, of course, made it easier to move at this kind of speed while staying aligned.

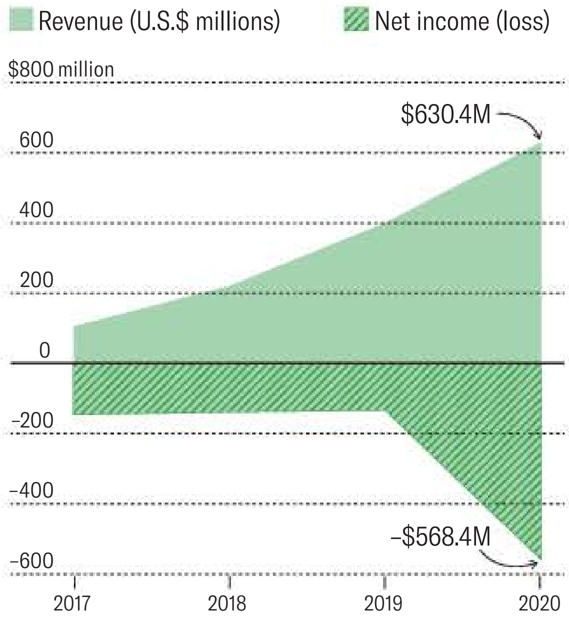
All this work, especially under these radically new and different circumstances, can be its own reward, but it can also be a serious source of stress. Mental health, always critical, is even more so during a crisis. Employees can’t perform well if they think they might be let go or are pushing themselves too hard.

We were fortunate in that people didn’t need to worry about their job

FACTS & FINANCIALS

## Slack

Founded: 2009 (as Tiny Spec)
Headquarters: San Francisco
No. of employees: 2,000+
Offices worldwide: 16




Note: FY 2020 loss incorporates onetime expenses related to Slack's direct listing.
Source: Slack

security. Instead I found myself reminding them all to take care of themselves. At the start of the second week of March, I sent a message assuring everyone that we were confident about our overall financial health and the long-term growth potential of our business, and that we had no plans for layoffs. In fact, we would keep up hiring across the company (and even accelerate it for customer support roles), and we continue to pay contractors and hourly workers.

At the end of that week I sent another note encouraging employees to prioritize their own and their families' well-being. I am fortunate to be holed up with a supportive fiancée, who's the cofounder and chief brand officer of her own company, along with two dogs (one a puppy, who provides a welcome diversion). But I knew that some people were managing young kids at home with neither school nor childcare, while others were completely on their own and feeling isolated. This was not going to change in the short term (at the time of this writing, we plan to keep our offices closed through September), so things like breaks, exercise, sleep, and eating well were more important than ever. We also wanted people to ask for help if they needed it. I knew that with sufficient focus, we could accommodate all this and still get more done. And that's just what happened.

## A SURGE IN CUSTOMER DEMAND

Although the growth in new teams using Slack in Asia and Italy was a harbinger of things to come, none of us were prepared for the global surge in customer demand that hit us in mid-March. Companies that already had all their people on Slack were using it much more—20% more messages per person per day than before the crisis hit. Our record for simultaneous users jumped from 10 million on March 10 to 12.5 million on March 25 (25% growth in two weeks!), and our active use time on weekdays increased to one billion minutes globally.

Customers with 1,000 or 10,000 Slack users suddenly wanted to expand to 50,000. A large U.S.-based grocery chain had about 1,200 people on Slack and asked for a plan to roll it out to 100,000 people in 72 hours. The last time we'd ramped up at that scale for a customer, it had taken 15 months.

New customers wanted comprehensive proposals immediately. Existing ones wanted more training programs and more-sophisticated features, which caused our app installation rate to more than triple. We'd been on pace to add 5,000 new paying teams per quarter; as of mid-March, just over halfway through the first quarter of our fiscal 2021, we had already added 9,000.

Suddenly organizations of all kinds, small and large, private and public, needed to transform the way they worked, all at once. Many leaders were under pressure to develop transition plans. Managers were trying to figure out how to handle newly remote teams. Our job was to use our expertise to help relieve that burden, and we worked flat out to guide people to more-effective Slack use.

It was especially satisfying to be able to facilitate the work of teams key to Covid-19 mitigation and relief: government agencies, medical professionals, equipment makers, treatment and vaccine researchers, media and scientific organizations covering the crisis, and nonprofits providing relief to those suffering the most from it. We continue to offer free trials and have expanded the features those organizations can use while offering free upgrades to paid plans.

Our hope is that people who've tried Slack during this crisis will appreciate its benefits and never go back to email. More broadly, I think any company that enables businesses' transformation through software will have an easier time of it going forward: All kinds of things that seemed impossibly hard a few months ago turned out to be manageable once it was clear they had to happen.

However, until testing spreads and a vaccine is developed and rolled out, we will be coping with a pandemic and its terrible fallout. The number of deaths is staggering. Tens of millions of people are now unemployed. Businesses are closed, and many will never reopen. National economies are entering what will probably be a prolonged recession.

> We were unprepared for the global surge in customer demand that hit us in mid-March. Customers with 1,000 or 10,000 Slack users suddenly wanted to expand to 50,000.

We don't know what that means for Slack. It's likely that some of our existing customers, particularly small companies and those in the travel and hospitality industries, will drop off—although we've been working with those hardest hit to find workable solutions. Large enterprises are likely to clamp down on new spending and cut existing costs. I heard from one executive that the wall-to-wall contract his company had just signed with us in the second week of March was its last big purchase before tightening up.

These competing dynamics—a clear increase in short-term demand coupled with a murkier outlook for the rest of the year and maybe beyond—are our new reality. That's what we had to communicate to investors.

## TRANSPARENT INVESTOR COMMUNICATION

Less than a week after that relatively run-of-the-mill board meeting on March 5, I was in New York, prepping for our earnings call. Things looked good: We were growing quickly and felt well positioned against competitors, most notably Microsoft Teams. The evening of March 11 I worked late with our CFO and investor relations and communications teams and then met friends at an oyster place on Canal Street for snacks and a drink.

I vividly remember that night for several reasons, not least because it would be my last in-person restaurant meal for some time. Tom Hanks announced he'd tested positive for Covid-19; the NBA suspended its season; and President Trump imposed a travel ban from some countries to the United States. Suddenly the financial guidance we'd prepared to release on the earnings call seemed out-of-date. And now that we were in a situation that could result in millions of deaths, it felt surreal to be thinking or talking about macroeconomic headwinds or tailwinds. In debating whether and how to change our financial forecasts, we realized there was no down-the-middle scenario. The pandemic was going to affect our business. We knew, however, that even if we were badly hit, we would be better off than many other companies. So we tempered our first-half growth expectations and acknowledged the increasing market uncertainty but presented the same case we'd intended to, with undiminished confidence.

We soon had to make another decision. We'd considered doing a $600 million convertible debt raise in March. One of the reasons we'd gone public was to gain access to the public debt market. At first it seemed that the pandemic would prevent us from pursuing that financing; we thought, *Too bad we couldn't pull that off before the markets went crazy.*

But even in the craziness we realized that we could, and should, follow through with the financing. As someone who's weathered more than a few financial and tech industry crises, I've learned that raising capital when it's available, even if you don't need it, is rarely something you'll regret. If sources dry up, the cash you secured will be a big advantage: Acquisitions will become possible, and you can invest in new hires, marketing, or infrastructure in an environment where most others can't.

We set up a multi-organization Slack channel with the investment banks Morgan Stanley and Goldman Sachs, and instead of an in-person road show, we did video calls with potential investors. Demand was so great that we increased the offering size to $750 million and still found ourselves oversubscribed. That was gratifying. We'd chosen to enter the debt market during a very turbulent period and had been rewarded for it.

## THE FUTURE

I've always believed in the adage "Never waste a crisis," and during this one I've tried to encourage Slack's executive team, employees, customers, and investors to lean into that idea. Covid-19 has created an opportunity for us and others to become more agile, to take on changes that once seemed daunting, to reimagine organizational culture, to rethink work plans and productivity, to learn from and rapidly correct mistakes, and to reposition for future growth. Perhaps most important, Slack has refocused on our core goal—to help our customers work more efficiently and more productively.

What leaders must do above all else in times like these is remind people of what's important, emphasizing an organization's foundational tenets, its purpose and mission, and the impact it can have, and constantly expressing gratitude for the hard work they're doing to execute on those things. As I wrote to Slack employees on March 12, "We can emerge from this stronger than ever.…We will look back at this time and realize how much it redefined our belief in what we can accomplish as a team.… Everything you're doing matters. I'm so proud of this company, and all of you. Let's go!"

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# Spotlight

## EMERGING FROM THE CRISIS

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# Learning from the *Future*

## How to make robust strategy in times of deep uncertainty

**HOW CAN WE FORMULATE** strategy in the face of uncertainty?

That's the fundamental question leaders must ask as they prepare for the future. And in the midst of a global pandemic, answering it has never felt more urgent.

Even before the Covid-19 crisis, rapid technological change, growing economic interdependence, and mounting political instability had conspired to make the future increasingly murky. Uncertainty was so all-encompassing that to fully capture the dimensions of the problem, researchers had devised elaborate acronyms such as VUCA (volatility, uncertainty, complexity, and ambiguity) and TUNA (turbulent, uncertain, novel, and ambiguous).

**ABOUT THE ART**
*During the quarantines in March and April of this year, photographers in cities around the world captured images of deserted tourist sites.*

In response, many leaders sought refuge in the more predictable short term—a mechanism for coping with uncertainty that research has shown leaves billions of dollars of earnings on the table and millions of people needlessly unemployed. By the start of 2020, the sense of uncertainty was so pervasive that many executives were doubling down on efficiency at the expense of innovation, favoring the present at the expense of the future.

And then the pandemic hit.

Now the tyranny of the present is supreme. A lot of organizations have had no choice but to focus on surviving immediate threats. (There are no futurists in foxholes.) But many business and political discussions still demand farsightedness. The stakes are high, and decisions that leaders make now may have ramifications for years—or even decades. As they try to manage their way through the crisis, they need a way to link current moves to future outcomes.

So how best to proceed?

Strategic foresight—the history, theory, and practice of which I have spent years researching—offers a way forward. Its aim is not to predict the future but rather to make it possible to imagine multiple futures in creative ways that heighten our ability to sense, shape, and adapt to what happens in the years ahead. Strategic foresight doesn't help us figure out *what* to think about the future. It helps us figure out *how* to think about it.

To be sure, a growing body of research has demonstrated that it is possible to make more-accurate predictions, even in chaotic fields like geopolitics. We should use those techniques to the extent we can. But when predictive tools reach their limits, we need to turn to strategic foresight, which takes the irreducible uncertainty of the future as a starting point. In that distinctive context, it helps leaders make better decisions.

The most recognizable tool of strategic foresight is scenario planning. It involves several stages: identifying forces that will shape future market and operating conditions; exploring how those drivers may interact; imagining a variety of plausible futures; revising mental models of the present on the basis of those futures; and then using those new models to devise strategies that prepare organizations for whatever the future actually brings.

Today the use of scenarios is widespread. But all too often, organizations conduct just a single exercise and then set whatever they learn from it on the shelf. If companies want to make effective strategy in the face of uncertainty, they need to set up a process of constant exploration—one that allows top managers to build permanent but flexible bridges between their actions in the present and their thinking about the future. What's necessary, in short, is not just imagination but the *institutionalization* of imagination. That is the essence of strategic foresight.

## THE LIMITS OF EXPERIENCE

Uncertainty stems from our inability to compare the present to anything we've previously experienced. When situations lack analogies to the past, we have trouble envisioning how they will play out in the future.

The economist Frank Knight famously argued that uncertainty is best understood in contrast with risk. In situations of risk, Knight wrote, we can calculate the probability of particular outcomes, because we have seen many similar situations before. (A life insurance company, for example, has data on enough 45-year-old, nonsmoking white men to estimate how long one of them is going to live.) But in situations

**IDEA IN BRIEF**

**THE CHALLENGE**
*Good strategy creates competitive advantage over time, but the uncertainty of the future makes it difficult to identify effective courses of action, particularly in the midst of a crisis. As a leader, how can you prepare for an unpredictable future while managing the urgent demands of the present?*

**THE PROMISE**
*The practice of strategic foresight provides the capacity to sense, shape, and adapt to change as it happens. One important element of the practice is scenario planning, which helps leaders navigate uncertainty by teaching them how to anticipate possible futures while still operating in the present.*

**THE WAY FORWARD**
*To make effective strategy in the face of uncertainty, leaders need to institutionalize strategic foresight, harnessing the power of imagination to build a dynamic link between planning and operations.*

**At the very moment when the present least resembles the past, it makes little sense to look back in time for clues about the future.**

NurPhoto/Getty Images; previous spread: Gary Hershorn/Getty Images

of uncertainty—and Knight put most business decisions in this category—we can only guess what might happen, because we lack the experience to gauge the most likely outcome. In fact, we might not even be able to imagine the range of potential outcomes.

The key in those situations, Knight felt, was judgment. Managers with good judgment can successfully chart a course through uncertainty despite a lack of reference points. Unfortunately, Knight had no idea where good judgment came from. He called it an "unfathomable mystery."

Of course, in something of a catch-22, conventional wisdom holds that to a large extent good judgment is based on experience. And in many uncertain situations managers do, in fact, turn to historical analogy to anticipate the future. This is why business schools use the case teaching method: It's a way of exposing students to a range of analogies—and thus ostensibly helping them develop judgment—much more quickly than is possible in the normal course of life.

But Knight's point was that uncertainty is marked by novelty, which, by definition, lacks antecedents. At the very moment when the present least resembles the past, it makes little sense to look back in time for clues about the future. In times of uncertainty, we run up against the limits of experience, so we must look elsewhere for judgment.

That's where strategic foresight comes in.

## "STRANGE AIDS TO THOUGHT"

In the United States, strategic foresight can be traced back to the RAND Corporation, a think tank that the U.S. Air Force

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set up after World War II. Rather than plumbing the mystery of judgment, RAND scholars hoped to replace it with the "rational" tools of quantitative analysis. But as they grappled with the military demands of the postwar world, they could not escape the fact that nuclear weapons had fundamentally changed the nature of warfare. Two countries, the United States and the Soviet Union, had acquired the ability to destroy each other as functioning civilizations. And because no one had ever fought a nuclear war before, no one knew how best to fight (or avoid) one.

One RAND analyst, who approached the problem of a potential apocalypse with a glee that made him a model for Stanley Kubrick's Dr. Strangelove, was a mathematician named Herman Kahn. In the atomic age, Kahn realized, military strategists faced uncertainty to an absolutely unprecedented degree. "Nuclear war is still (and hopefully will remain) so far from our experience," he wrote, "that it is difficult to reason from, or illustrate arguments by, analogies from history."

How, then, Kahn asked, could military strategists develop the judgment crucial to making decisions about an uncertain future? It was the very question Knight had posed, but unlike Knight, Kahn had an answer: "ersatz experience." What strategists needed, he suggested, were "strange aids to thought," in the form of multiple imagined futures that could be developed through simulations such as war games and scenarios.

In 1961, Kahn left RAND to help found the Hudson Institute, where he eventually shared his ideas with Pierre Wack, an executive from Royal Dutch Shell. In the early 1970s Wack famously applied Kahn's ideas in the business world, by devising scenarios to help Shell prepare for what might take place as the oil-rich nations of the Middle East began to assert themselves on the world stage. When change did come, in the form of the price shocks induced by the 1973 OPEC oil embargo, Shell was able to ride the crisis out much better than its competitors. (In 1985, Wack chronicled Shell's efforts in two articles for this magazine: "Scenarios: Uncharted Waters Ahead" and "Scenarios: Shooting the Rapids.")

The Shell exercises marked the birth of scenario planning as a strategic tool for business managers. In subsequent years, Wack's successors at the company refined his method, and scenario planners from Shell went on to become some of the most prominent scholars and practitioners in the field. Nonetheless, few of the organizations that have conducted scenario-planning exercises in recent decades have institutionalized them as part of a broader effort to achieve strategic foresight.

One of the rare exceptions is the U.S. Coast Guard, which describes its work with scenario planning as part of a "cycle of strategic renewal." As such, it offers a model that many organizations can learn from.

One might ask how relevant the Coast Guard's experience is for businesses, but in fact it constitutes what social scientists call a "crucial-case test." As a military service, the Coast Guard has less organizational flexibility than most private firms, with a mission mandated by statute and a budget determined by Congress. What's more, for a long time its need to react daily to numerous emerging situations—from ships in distress to drug interdictions—forced it to focus almost exclusively on the short term, leaving it with little bandwidth to formulate strategy for the long term. Nevertheless, in recent years it has managed to leverage scenario planning to its advantage, reorienting the organization in an ongoing way toward the future. And that, in turn, has allowed it to respond and adapt to disruptive changes, such as those that followed the September 11 terrorist attacks.

## FUTURE-PROOFING THE COAST GUARD

On that tragic morning, hundreds of thousands of people found themselves trapped in Lower Manhattan, desperate to escape the burning chaos that was Ground Zero. While some were able to walk uptown or across bridges, which officials had closed to vehicles, for many the best way off the island was by water. So over the next hours, an impromptu flotilla—of ferries, tugs, private craft, and fire and police boats—took clusters of people away from the wreckage of the World Trade Center and across the water to safety.

Although many vessels operated on their own initiative, a significant part of the evacuation was directed by the Coast Guard, which had issued a call for "all available boats" and coordinated the chaotic debarkation with remarkable poise, creativity, and efficiency. The effort reminded many of the storied British evacuation across the English Channel of several hundred thousand troops that Nazi forces had trapped in Dunkirk, on the coast of France.

That the Coast Guard rose to the challenge is no surprise. Although it has a broad set of responsibilities, ranging from search-and-rescue to environmental protection to port security, the organization's motto is *Semper paratus,* or "Always ready," and it prides itself on responding to emergencies. As one retired captain told me, "Our whole idea is, when the alarm goes off, to be able to fly into action."

But September 11 ended up being more than a short-term challenge. In its aftermath, the Coast Guard found its mission quickly expanding. Within a day it was tasked with implementing radically heightened port-security measures around the country: Port security had previously accounted for 1% to 2% of its daily operational load, but it soon consumed 50% to 60%. In March 2003 the Coast Guard was integrated into the new Department of Homeland Security, and that same month it was given the job of securing ports and waterways all over Iraq, following the U.S.-led invasion. In subsequent years the service's budget would double and its ranks would swell. A new future had arrived.

The Coast Guard adapted to this future nimbly—and did so in part because in the late 1990s it had conducted a scenario-planning exercise called Project Long View, which was designed to help the organization contend with "a startlingly complex future operating environment characterized by new or unfamiliar security threats." Its aim, in effect, was to future-proof the Coast Guard.

The service ran Long View in 1998 and 1999—and then, in 2003, in response to the shocks of September 11, renamed it Project Evergreen and began running it every four years. Ever since, the organization has relied on Evergreen to help its leaders think and act strategically.

## ROBUST STRATEGY—NO MATTER WHAT THE FUTURE HOLDS

When the Coast Guard decided to launch Long View, it enlisted the help of the Futures Strategy Group (FSG), a consultancy specializing in scenario planning. FSG maintains that uncertainty precludes prediction but demands anticipation—and that imaginatively and rigorously exploring plausible futures can facilitate decision-making.

Working with FSG, the Coast Guard identified four forces for change that would have a significant impact on its future: the role of the federal government, the strength of the U.S. economy, the seriousness of threats to U.S. society, and the demand for maritime services. By exploring them and looking forward some 20 years, the team came up with 16 possible "far-future worlds" in which the

# *The Future:* A Glossary

Managing the uncertainty of the future requires many tools, some of which have similar or even overlapping functions. To cut through the confusion, here's a brief guide.

**BACKCASTING** asks participants to work backward in time from a particular future to ascertain what in the present caused its emergence. The practice is most often used to identify a path to a preferred future but can also be used to avoid steps toward a negative future. "Premortems," for example, aim to identify the causes of a hypothetical future failure.

**CONTINGENCY PLANNING** aids decision-making by preparing participants for specific events that are considered possible or even likely. A contingency plan provides a playbook in case of emergency.

**CRISIS SIMULATIONS** and **TABLETOP EXERCISES** have participants respond to specific scenarios and then analyze their actions, to help people prepare for real-life situations. They differ from war games in that they involve a specific possible future rather than a range of plausible futures.

**FORECASTING** involves making probabilistic predictions about the future and, as such, is a tool that practitioners of strategic foresight tend to avoid. But it, too, has its place in helping strategists manage uncertainty, adding a quantitative angle to the qualitative methods preferred by, say, scenario planners. The best approach is this: Predict what you can; imagine what you cannot; and develop the judgment to know the difference.

**HORIZON SCANNING** asks participants to search for "weak signals" of change in the present with an eye toward monitoring their development and assessing their potential impact. The practice is guided by the idea that the future often first comes into view in places that most of us are not paying attention to, such as specialized scientific journals.

**SCENARIO PLANNING** uses stories about alternative futures to challenge assumptions and reframe perceptions of the present. The process does not attempt to predict the future but instead aims to explore plausible futures to inform strategy.

**TREND ANALYSIS** asks participants to consider the potential influence of patterns of change that are already visible. A popular structured approach is the STEEP framework, which disaggregates patterns of change into five categories: social, technological, economic, environmental, and political.

**WAR GAMES** ask participants to engage an opponent in simulated conflict, often to explore reactions to novel circumstances. Like scenario planning, war games do not attempt to predict what will happen; rather, they project what could happen, thereby providing insight into decision-making. Despite the name, war games can address far more than just the military aspects of conflict.

Coast Guard might have to operate. Of those, Coast Guard leaders selected five that were as distinct as possible from one another (while remaining plausible) and represented the range of environments the service might face. FSG then wrote detailed descriptions of those futures and the fictional events that led to them.

Each future world was given a name intended to capture its essence. "Taking on Water" described a future in which the U.S. economy struggled amid significant environmental degradation. In "Pax Americana," a humbled United States had to contend with a world rent by political instability and economic catastrophe. "Planet Enterprise" was dominated by giant transnational corporations. "Pan-American Highway" featured regional trade blocs oriented around the dollar and the euro. And "Balkanized America" presciently warned of a divided world in which "terrorism strikes with frightening frequency, and increasingly close to home."

Using those scenarios, the Coast Guard convened a three-day workshop, which FSG facilitated. Teams of civilians and officers were assigned to different future worlds and charged with devising strategies that would enable the Coast Guard to operate effectively in them. At the end of the workshop the teams compared notes on what they had come up with. Strategies that appeared again and again, across different teams, were deemed "robust." In their final report the organizers of Long View listed 10 of these strategies, ranging from the creation of a more unified command structure to the development of a more flexible human-resources system to the establishment of "full maritime domain awareness"—which the Coast Guard defines as the "ability to acquire, track, and identify in real time any vessel or aircraft entering America's maritime domain." All of these strategies, they argued, would help the Coast Guard carry out its mission, no matter what the future held.

Many of the strategies weren't novel. But Long View allowed participants to think about them in new ways that proved crucial in the post–September 11 world. In effect, Long View allowed the Coast Guard to pressure-test strategies under a range of plausible futures, prioritize the most-promising ones, and socialize them among the leadership—which meant that after the attacks, when the organization found its mission changing dramatically, it was able to respond quickly.

Launching Long View and subsequently establishing Evergreen as a continuous process wasn't easy. It took exceptionally strong leadership—in particular from admirals James Loy and Thad Allen. The program has also faced challenges in implementing ideas; there is a difference between strategic foresight and strategic execution. But once established, the program developed significant momentum, fueled in part by a growing cadre of alumni who saw the value of a dynamic relationship between the present and the future. The Coast Guard had institutionalized imagination.

## EXPLORATION ENABLES EXPLOITATION

Long View and Evergreen weren't designed to bring about a wholesale organizational shift from the operational to the strategic or to train the Coast Guard's attention primarily on the long term. Instead, the goal was to get its personnel thinking about the future in a way that would inform and improve their ability to operate in the present.

That was no small challenge. Management scholars have long noted that, in order to survive and thrive over time, organizations need to both exploit existing competencies and explore new ones. They need to be "ambidextrous."

The problem is that those two imperatives compete for resources, demand distinct ways of thinking, and require different organizational structures. Doing one makes it harder to do the other. Ambidexterity requires managers to somehow resolve this paradox.

Long View and Evergreen helped the service's leaders do that. The programs didn't reduce the organization's ability to attend to the present. If anything, the opposite occurred. Exploration *enabled* exploitation.

The Coast Guard members I interviewed for my research reported that Long View and Evergreen accomplished this in several ways. At the most explicit level, they identified strategies that the Coast Guard then pursued. Take maritime domain awareness. The scenarios made it clear to Coast Guard leaders that in any plausible future, they would want the ability to identify and track every vessel in U.S. waters. Although this may seem like an obvious need, it's not a capability that the service had in the 1990s. As one retired admiral explained, "Ships could come in 10 miles off or even three miles off the United States' coast, and we might not know it." That was in part because U.S. agencies had no integrated system for gathering and disseminating information.

Even though the Coast Guard didn't have the organizational and technological infrastructure to establish full maritime domain awareness immediately, Long View built consensus about its value among top leadership, which helped the service implement it more quickly after 9/11. In fact, the Coast Guard captain who had managed Evergreen led the interagency effort to develop the first National Strategy for Maritime Security, which ultimately prompted the creation of the Nationwide Automatic Identification System—a sort of transponder system for ships.

The strategies that emerged from the scenario-planning exercises also enabled personnel who participated in them to act with a greater awareness of the service's future needs. For example, the first iteration of Evergreen stressed the importance of building strategic partnerships at home and abroad. With this in mind, one senior Coast Guard leader prepared for threats that might emerge in the Pacific by developing bilateral relationships with island nations there; sharing information, coordinating patrols, and holding joint exercises with counterparts in China, Russia, Canada, South Korea, and Japan; and finding ways to work more closely with other U.S. agencies, from the FBI to the National Oceanic and Atmospheric Administration.

At the most basic level, Long View and Evergreen simply got the service's people to think more about the future. The master chief petty officer of the Coast Guard Reserve described how Evergreen had changed his thinking, citing a recent conversation with a colleague: "He and I were here in my office this morning, talking about, 'Twenty-five years from now, what is the Coast Guard Reserve component going to look like?'" Before taking part in Evergreen, he added, "I just wouldn't understand how to think that way."

Perhaps most interesting, however—and most important in resolving the supposed paradox between exploration and exploitation—is the way that Long View and Evergreen helped participants understand the demands of the past and the future not as competing but as complementary. The exercises changed the very way in which participants thought about time.

Humans tend to conceive of time as linear and unidirectional, as moving from past to present to future, with each time frame discrete. We remember yesterday; we experience today; we anticipate tomorrow. But the best scenario planning embraces a decidedly nonlinear

> The best scenario planning embraces a decidedly nonlinear conception of time. It treats thinking about the future as an essential component of taking action in the present.

conception of time. That's what Long View and Evergreen did: They took stock of trends in the present, jumped many years into the future, described plausible worlds created by those drivers, worked backward to develop stories about how those worlds had come to pass, and then worked forward again to develop robust strategies. In this model, time circles around on itself, in a constantly evolving feedback cycle between present and future. In a word, it is a loop.

Once participants began to view time as a loop, they understood *thinking about the future* as an essential component of *taking action in the present*. The scenarios gave them a structure that strengthened their ability to be strategic, despite tremendous uncertainty. It became clear that in making decisions, Coast Guard personnel should learn not only from past experience but also from imagined futures.

## GETTING STARTED

The prospect of organizing a scenario exercise can intimidate the uninitiated. There are distinct benefits to enlisting one of the individuals, boutique consultancies, or even large firms that specialize in scenarios to provide helpful direction. However, regardless of who runs the process, managers should follow these key guidelines:

**Invite the right people to participate.** One of the chief purposes of a scenario exercise is to challenge mental models of how the world works. To create the conditions for success, you'll need to bring together participants who have significantly different organizational roles, points of view, and personal experiences. You'll also need people who represent what Kees van der Heijden, one of Wack's successors at Shell, has described as the three powers necessary for any effective conversation about strategy: the power to perceive, the power to think, and the power to act.

**Identify assumptions, drivers, and uncertainties.** It's important to explicitly articulate the assumptions in your current strategy and what future you expect will result from its implementation. Think of this scenario as your projected scenario—but recognize that it's just one of many possible futures, and focus on determining which assumptions it would be helpful to revisit. Rafael Ramirez, who leads the Oxford Scenarios Programme, advises that in doing this you disaggregate *transactional actors,* which you can influence or control, from *environmental forces,* which you cannot. How might those forces combine to create different possible futures?

**Imagine plausible, but dramatically different, futures.** This can be the most difficult part of the exercise, particularly for those used to more analytical modes of thinking. Push yourself to imagine what the future will look like in five, 10, or even 20 years—without simply extrapolating from trends in the present. This takes a high degree of creativity and also requires the judgment to distinguish a scenario that, as the Coast Guard puts it, pushes the envelope of plausibility from one that tears it—an inherently subjective task. Good facilitators can both prime the imagination and maintain the guardrails of reality.

**Inhabit those futures.** Scenario planning is most effective when it's an immersive experience. Creating "artifacts from the future," such as fictional newspaper articles or even video clips, often helps challenge existing mental models. It's also a good idea to disconnect participants from the present, so hold workshops off-site and discourage the use of phones at them.

**Isolate strategies that will be useful across multiple possible futures.** Form teams to inhabit each of your far-future worlds, and give them this challenge: What should we be doing *now* that would enable us to operate better in that particular future? Create an atmosphere in which even junior participants can put forward ideas without hesitation. Once the groups develop strategies for their worlds, bring them together to compare notes. Look for commonalities, single them out, and identify plans and investments that will make sense across a range of futures.

**Implement those strategies.** This may sound obvious, but it is the place where most companies fall down. Using scenario planning to devise strategies isn't resource-intensive, but implementing them requires commitment. To couple foresight with action, leaders should set up a formal system in which managers have to explain explicitly how their plans will advance the firm's new strategies. Realistically, foresight will not drive every initiative, but scenario exercises can still be valuable in several ways. First, they can provide participants with a common language to talk about the future. Second, they can build support for an idea within an organization so that when the need for implementation becomes clear, it can move faster. Finally, they can enable

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participants to act at the unit level, even if the organization as a whole fails to link the present and future as tightly as it should.

**Ingrain the process.** In the long run you'll reap the greatest value from scenario exercises by establishing an iterative cycle—that is, a process that continually orients your organization toward the future while keeping an eye on the present, and vice versa. This ambidexterity will allow you to thrive under the best of conditions—and it's essential for survival under the worst. Moving in a loop between the present and multiple imagined futures helps you to adjust and update your strategies continually.

THIS LAST POINT is critical. As the current pandemic has made clear, needs and assumptions can change quickly and unpredictably. Preparing for the future demands constant reappraisal. Strategic foresight—the capacity to sense, shape, and adapt to what happens—requires iterative exploration, whether through scenario planning or another method. (See "The Future: A Glossary," page 44.) Only by institutionalizing the imaginative process can organizations establish a continual give-and-take between the present and the future. Used dynamically in this way, scenario planning and other tools of strategic foresight allow us to map ever-shifting territory.

Of course, strategic foresight also enables us to identify opportunities and amplifies our ability to seize them. Organizations don't just prepare for the future. They make it. Moments of uncertainty hold great entrepreneurial potential. As Wack once wrote in these pages, "It is precisely in these contexts—not in stable times—that the real opportunities lie to gain competitive advantage through strategy."

It takes strength to stand up against the tyranny of the present and invest in imagination. Strategic foresight makes both possible—and offers leaders a chance for legacy. After all, they will be judged not only by what they do today but by how well they chart a course toward tomorrow.

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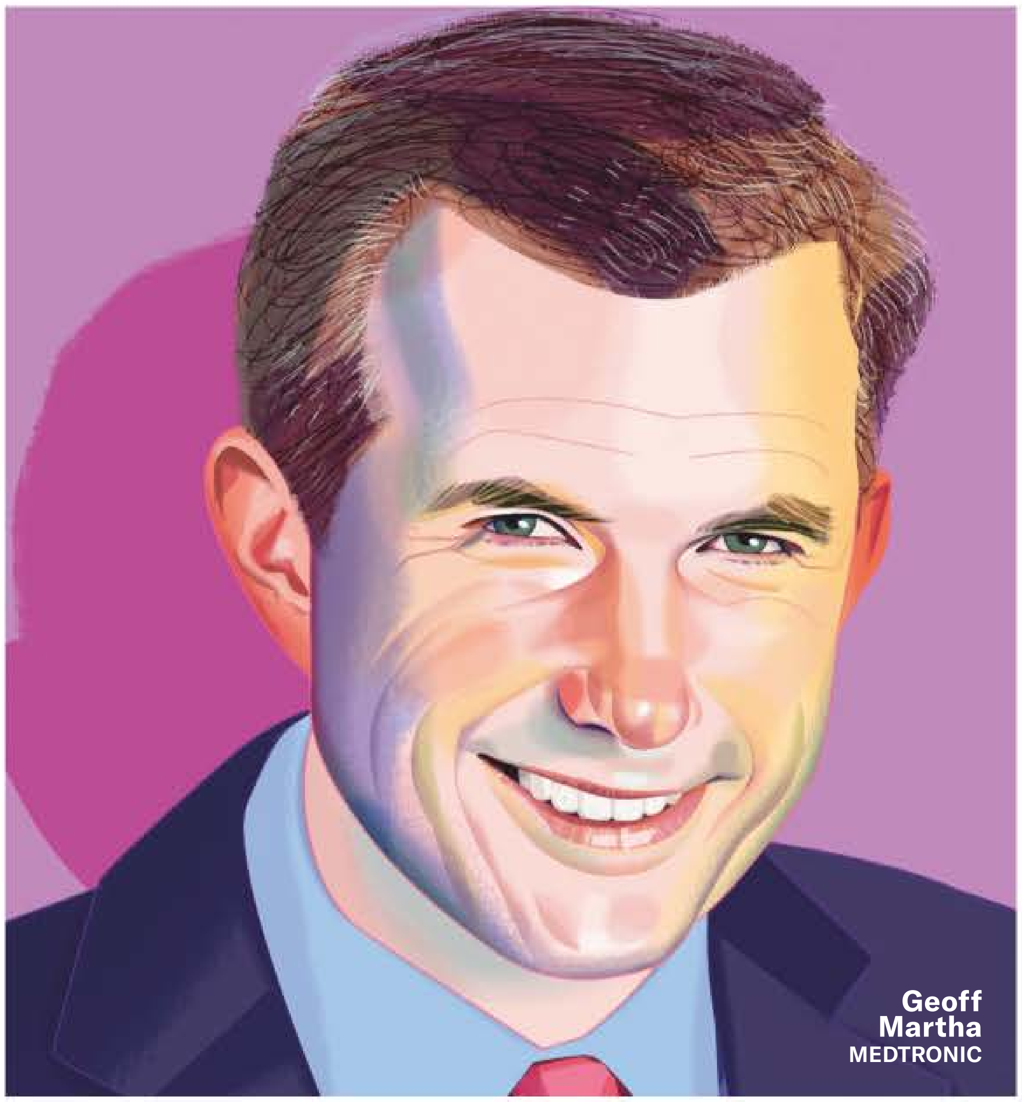
# “What Is the Next *Normal* Going to Look Like?”



*Illustrations by* NIGEL BUCHANAN





THIS ROUNDTABLE discussion, held virtually in late April, was a departure from the norm—and thus perfectly in keeping with these very strange days. Tory Burch, the fashion designer and retail CEO, joked about dressing up for the video call after living in sweatpants for weeks. Kevin Sneader, the global managing partner at McKinsey & Company, appeared from the kitchen table of his in-laws' home. Nancy McKinstry, of Wolters Kluwer, and Geoff Martha, of Medtronic, both had connection trouble at first, but Chuck Robbins, of Cisco Systems (which owns Webex, the videoconferencing service), provided impromptu tech support. During an hour-long discussion moderated by HBR editor in chief Adi Ignatius, these five CEOs, who collectively lead a workforce of about 217,000 people worldwide, spoke about how they've adjusted to uncertain times, what employees and society expect from them now, and how business will change as the crisis ebbs. What follows are edited excerpts from the conversation.

**HBR: We're in an extraordinary moment. What does it take to be an effective leader right now?**

**SNEADER:** Leaders should choose candor over charisma. There's some really tough stuff to this. I want to be an optimist, but there are things we don't know and things that may or may not happen. So the phrase in my head is "bounded optimism." This is also a chance to bring purpose to the chaos.

**ROBBINS:** People want to see leaders being human. I've reiterated to our team: This is a time for leadership, not management. Be calm, have realistic optimism, and show up and be visible.

**SNEADER:** I agree about being human. When the crisis started, I was firing off lots of information-heavy messages. But on my mother's 80th birthday, I included a picture of her celebrating with a cake. That prompted other people to send pictures, and it made everyone more engaged. One group of employees got all their pets together for a video meeting, so I showed up with my two cats. But I was outdone by somebody with a horse! There's been a lot of getting to know people in a different way. So in some respects, I feel more closely connected than if we were physically gathering.

**BURCH:** You need to keep your strategy intact but be flexible and agile. It's also important for leaders to show vulnerability along with optimism, and to acknowledge that this situation is hard. The uncertainty really throws people off, but it helps if they see a focused management team that communicates frequently. People want authentic dialogue and transparency.

**McKINSTRY:** Here at Wolters Kluwer, leading is first and foremost about communication. We're in a phase of overcommunicating with our employees and our customers, to try to keep everybody up to speed on where we're headed and to make sure we're addressing concerns. Second, it's about priorities. A big part of my interactions with the leadership team is around not just making adjustments on the cost side or in how we go to market, but keeping everyone focused on the top strategic priorities. And the third thing is to be adaptable. The world is changing every single day, and we need to keep asking: How can we help our customers? How can we help our communities? We need to clear away bureaucracy, address things very quickly, and be operationally agile.

**MARTHA:** As others have mentioned, communication is a big piece. At Medtronic, we've broken this crisis down into three phases—the shutdown, the recovery, and the new normal. Throughout each phase, we have clear priorities and a framework for helping people make decisions. You can't decide everything from the top, so providing this guidance is important.

**How has Covid-19 changed the nature of what you do and how you do it?**

**BURCH:** We've learned that we can adapt and run the business from home virtually. We have a great team, and to see the amount we can get done is inspiring. One thing that isn't easy is the creative process. Design is tactile and collaborative work, and to design collections on a computer is really difficult.

**ROBBINS:** Tory's right—running the business is not that difficult. And frankly, not being on airplanes, and sleeping in the same bed every night, has been a unique experience for me—I don't think I've stayed in one place this long in 30 years. Because of the culture at Cisco, our people are certainly used to working from home and leveraging technology. And we're moving faster than we ever have. For example, in March our team started 3D-printing surgical shields in our San Jose office. Typically, the legal issues around doing that would have taken weeks to resolve. But we wrote up a one-page legal waiver, the Santa Clara County Public Health Department signed it in 10 minutes, and we were off and running. Those are the kinds of things we are figuring out, which should change how we operate going forward.

**MARTHA:** We're a med-tech company, and one of our businesses does remote patient management. We've heard a lot about how telehealth—which allows patients to meet with doctors remotely—has picked up. But it's amazing how quickly we're also moving to remote device management. For example, we make ventilators, and one of the biggest issues in treating Covid-19 is that when patients are on ventilators in the ICU, the health care workers treating them may face exposure to the virus. Remote device management allows you to control the ventilator from *outside* the ICU. You're going to see more of that technology. Until recently, health care institutions weren't all that incentivized or excited about it, but now I think that's going to become a priority. Another thing I'd say is that the speed at which we've partnered with other companies is amazing. Typically, you hammer out a business agreement first; here we just got to work. That's something we can learn from.

**SNEADER:** McKinsey is a client service organization, and we like to think we work on the toughest problems our clients face. So the biggest change for us is that clients' problems just got a whole lot tougher. We're helping companies whose revenues have dropped to near nothing, helping hospital systems deal with rapid scale-up in demand, finding ways to get supplies of critical products. At the same time, we're a people organization, and our people are working extraordinarily hard. Some of them are in small apartments far from their families. We have dual-career couples, and each partner is trying to conduct business with kids running around needing attention. That is not easy, and it's had a profound change on how we work.

**McKINSTRY:** At Wolters Kluwer, what we do is help professional customers navigate change, whether it's dealing with new regulations or new scientific and medical developments. So with the Covid-19 onset, the most important thing has been for us to rapidly disseminate information and software solutions to our health care customers and to our tax and accounting professionals, all for free. I'm most proud of how our organization has quickly adapted and gotten solutions out in front of customers.

**Tory, you have 300 stores around the world, most of them now closed. Will people's embrace of e-commerce during the crisis mean a permanent shift of business in that direction?**

**BURCH:** I believe in digital, and globally it's been our great growth driver in recent years. But I also believe in physical retail. China is opening back up right now, and that gives us a lot of hope. I thought people there would be much more fearful of going into stores. Still, we have to figure out how to make sure that when stores start to reopen, customers feel safe. Another interesting fact is that when you look at Gen Z, shopping is part of their social life. They grew up on computers, and that's part of why they love to go out to stores and touch products. That's still going to be extremely important.

**Nancy, you've been on our list of the world's best-performing CEOs, partly**

**because you've successfully led a digital transformation. What advice do you have for CEOs who are trying to cut costs during the crisis while still pursuing a transformation effort?**

**McKINSTRY:** One of the things I often say about digital transformation is that you have to take the long view. The trends that we've been seeing around collaboration tools, digital marketing, cloud computing—those are only going to get more pronounced post-Covid. The first priority is to focus on digital transformation that affects your customers. That's where it all starts. So put the right tools in your employees' hands and your customers' hands to start that journey. Second, continue reinvesting. We invest 8% to 10% of revenue in innovation, and we did that even during the 2008 financial crisis. And keep focused on a few priorities. People get distracted, but you have to be very centered on the two or three things you need to transform to really get momentum going.

**Kevin, you talk to CEOs all over the world all the time. What is the most common mistake or misperception you're seeing as leaders think about how to survive or thrive in the crisis?**

**SNEADER:** All CEOs are navigating an unprecedented situation, and most are doing it remarkably well. It's very hard to balance the here and now versus the future. You need a microscope to deal with the details of getting the business stable. But the reality is that we're not going back to what we thought normal was, so you need a telescope to figure out "What is the next normal going to look like?" Many CEOs are trying to do both things, and if you put a microscope up to one eye and a telescope up to the other, you just get a headache. You tend not to see anything very clearly. So it's important to have one team dealing with bringing the business back, and a separate team dealing with what's going to happen a year or two from now and considering the what-if questions.

> People are watching to see how companies treat their employees, customers, and investors.

**Thinking about that next normal, what might fundamentally change about the ways we manage organizations?**

**MARTHA:** We've already talked about more digitization. Another thing is that people are watching to see how companies treat their employees, customers, investors, and other stakeholders. Are they behaving in a socially responsible way? The younger generations, Gen Z in particular, will make future employment decisions in large part based on how companies are showing up in this pandemic. The social responsibility piece of this will have a direct impact on your ability to attract and retain top talent.

**McKINSTRY:** Something that I've seen in parts of the world is more collaboration between governments and private enterprise. Some of the countries that have fared better so far—Germany comes to mind—have had a lot more engagement between the public and private sectors. That's true whether it involves supply chains or patients or other issues. When we look back on this, hopefully we'll be able to take some of those best practices in collaboration and bring them forward.

**ROBBINS:** I think we'll all be expected to keep moving at high velocity, having proven we can do so. And this experience is going to fundamentally change how we think about the location of our talent, because we all now know that we can be productive with digital technology. So at Cisco, instead of having to hire engineers in certain geographies, we can go find the best talent anywhere and bring them onto teams. I also think that the virus has highlighted the inequality in the United States and in the world as nothing else ever has. When you look at the people who are on the front lines fighting this thing—the people who are in harm's way every day—they are the most at risk financially. We now have an opportunity and an obligation to think about how we solve that problem. As we come out of this, we should have the energy to tackle it in new ways.

**SNEADER:** I think a few other things will change. One is the role of government. By one estimate, the amount of government money spent on the crisis is already eight times the size of the Marshall Plan after World War II. What will be government's role going forward? Will it step back from being involved in business, or will it be a more permanent fixture? Another change involves prioritizing resilience over efficiency. We've been in an era in which people were very focused on efficiency, implementing just-in-time inventory and global supply chains. In the future, I think people are going to be very focused on resilience because we've seen that disruption can be catastrophic. And here's the last thing: We used to talk about "the death of distance" because of technology, but borders have gone back up, and people care more about what they can touch and feel and the locality where they operate. That challenges some of our assumptions about globalization.

**Chuck, Cisco is on the front lines of how we're communicating and connecting now. How did your team prepare for the surge in Webex usage?**

**ROBBINS:** We watched the crisis unfold in Asia, so we knew it was coming, but we didn't fully appreciate how fast we'd have to move. Asia is now using Webex at four times the capacity it did previously. In Europe and the Americas the load is about triple. There are times and dress up again. So I wouldn't throw away any of your good pants or jackets. But let me make a larger point. People often think of fashion and apparel retailing as a "lite" industry, and when this threat struck, it was clear that no one was advocating for the government to help us. But our sector represents 11 million American jobs and $2.5 trillion of GDP. This idea that fashion is frivolous is a misperception.

of day—especially around 11 AM Eastern time, which is early morning on the West Coast and late afternoon in Europe—when usage is 15 times what it was in early 2020, and that base was not a small number. The first three weeks of the crisis were a little rocky as we built out infrastructure. But we had great partners in the carriers and the telcos helping us, and we're doing more than 4 million meetings a day right now. People see that you can do work this way. Not everybody wants to do it this way every minute of every day, but you realize you can make it work. That raises obvious questions about commercial real estate footprints and other things that will be debated until we get to the other side of this.

**Kevin, I know McKinsey has done research on what helped some companies outperform as they emerged from the last recession. Do those lessons apply now?**

SNEADER: The scale and magnitude of what we're facing now are definitely different. But with that caveat, the companies that came out of the 2008 global financial crisis with strength were the ones that created flexibility in their balance sheets and their costs *before* the crisis. Then many of them reshaped their portfolios during the crisis. They thought really hard about which costs mattered, and they were thoughtful about their IT spending. The winners got those decisions right. They were also incredibly customer-focused. And they came out of the recession enjoying total shareholder returns 150% higher than those of their competitors.

McKINSTRY: I would add that how companies treat their people now is really going to matter. Talent is so scarce. At Wolters Kluwer, we're putting our employees front and center as the top priority, and I believe that will pay dividends. When I look back at the global financial crisis, I think some companies paid a steep price for the way they treated workers.

**Geoff, you're stepping into the CEO role at Medtronic just this month. I can't imagine what a transition is like at this moment.**

MARTHA: We'd announced my transition to CEO months ago. Omar Ishrak, my predecessor, had been stepping back from the day-to-day running of the company, and I was moving into the role. Then Covid-19 erupted. Omar's gotten more involved again, because it's an all-hands-on-deck moment. But although I wouldn't wish this pandemic on anybody, in many ways it's helped accelerate the transition. When you're promoted and you start leading your former peers, there's a tendency to walk on eggshells. In a crisis, there's no time for that—you have to be very assertive and make decisions. So because of the intensity of the work and how much we've all been talking together, I feel like I've been CEO for a year or two.

**This will sound like a facetious question, Tory, but I'm serious. A lot of us have been wearing pajamas and sweats for weeks while working from home. Is this going to have a lasting effect on how people dress for work?**

BURCH: Trends come and go, but being casual and interested in health and wellness was a trend before the crisis. That's going to continue. At the same time, people are going to want to go out

**Any final predictions?**

SNEADER: At some point, we'll return to talking about major issues we faced before the crisis. One was sustainability and the environment. It's hard to think about it right now, especially with oil prices where they are, but flying less has been good for the planet. And the response to Covid-19 from governments around the world has been massive. So how are people going to reconcile that investment with the obligation to do something about what's happening to the environment? The coronavirus is a shock with an immediate impact, but environmental change is a shock that has been building cumulatively. And business is going to be in the middle of the conversation as we talk about the green agenda in supply chains. It may not be so easy to jump on sustainability because there are going to be some real costs that will be harder to afford.

McKINSTRY: On a different note, what the frontline doctors and nurses are going through is just astonishing. We all owe them incredible gratitude. One of the things that will come out of this is that we'll rethink health care and how it's delivered around the world.

ROBBINS: The culture of organizations, and their people, and how leaders show up during this moment—all of that will define who's going to be successful in the future. Employees and society want to see who you are as a company. What do you stand for? The answers will have lasting impact as we move beyond this.

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d3sign/Getty Images

# Helping Your Team *Heal*

## Leaders must recognize people's grief and assist them in finding meaning.

AUTHOR David Kessler *Expert on grief*

**ONE NIGHT** some time ago I was in a movie theater in Los Angeles when an earthquake struck. It was a rather long one, with several aftershocks. I remember distinctly that people in the theater seemed to fall naturally into one of three groups: Some panicked and moved chaotically, unsure what to do or where to go. Some remained calm and moved to the emergency exits, just as the preshow announcement had suggested they should. And some hardly moved at all. Instead they implored others to calm down and go back to watching the movie.

I've been thinking about that night since the start of the coronavirus pandemic. This crisis is a shock different from an earthquake, to be sure, but it's still a shock, and I've seen friends, family members, and workers at the companies I consult with experience reactions similar to those in the theater. Some have struggled to cope. Some have done what they can with the guidance they have. And some want others to calm down and continue with business as usual.

As companies navigate a slow return to ordinary life and work routines, they must understand and acknowledge that employees will need varying kinds of support. This is not a time to check the policy manual or to robotically "copy all" with messages about thoughts and prayers. This is a time to help each individual with his or her particular grief.

Putting that name—*grief*—on it has proved to be a powerful way to help anxious colleagues make progress toward

## Leaders should think about three groups of people: the *worried well*, the *affected*, and the *bereaved*.

normalcy. In late March, as the situation in the United States escalated rapidly, I was interviewed by HBR about grief and the pandemic. We addressed the collective anxiety over the loss of control, the radical change in how we were living, the anticipatory grief we felt as we imagined future job losses and possibly the death of loved ones. The interview struck a deep chord as it was shared across the world. It spurred countless notes of gratitude from doctors, nurses, other essential workers, and people from all walks of life. The reaction was a reminder that what people need first to deal with this trauma is to name what they feel so that they can start to manage it.

Grief is well understood, so we know of ways to deal with it. The five stages of grief are built on the incredible work of Elisabeth Kübler-Ross, who died in 2004. They are adapted from her landmark work in the late 1960s on the five stages of dying: denial, anger, bargaining, sadness, and acceptance. Together she and I applied them to grief. It is imperative to recognize that these stages are not linear; they don't happen in predictable time frames; you may experience all or only some of them. They are not a map of grief but, rather, a reference guide so that when you do have one of these feelings, you can identify it and manage it.

As people go back to work, or as those who've stayed on the job through the crisis begin to interact with returning workers, many will still be grieving. Not everyone will be at the same stage at the same time. Employees, leaders, managers, and organizations need to recognize this. If people seem unusually angry, we should give them space and exercise patience. They are grieving. Someone who questions the pandemic statistics may be in denial—and grieving.

Most important is to allow people to feel these stages. A peculiarity of modern life is that we have feelings about our feelings. We may feel sadness and then tell ourselves we shouldn't be sad—that others have suffered more. We do this with many emotions. Ultimately it doesn't work. Allowing yourself to experience the stages of grief—to let feelings move through you—is how you get to that fifth stage: acceptance. There, unsurprisingly, is where the power is. In acceptance we regain control, because we are no longer fighting the truth. This awful thing has happened. Now what?

### FINDING THE RIGHT INTERVENTIONS

I've talked to many companies during this pandemic, including some very large ones. My primary message to them is: Avoid blanket policies; don't think that all employees need the same support. And recognize that we grieve other losses as well as the loss of health or life.

Leaders should think about three groups of people all working together. First are the *worried well.* They're healthy. They haven't experienced sickness around them, but they are concerned. They may still be grieving losses of work, of normalcy, of opportunities and events. Work projects they were passionate about. Weddings. Holiday gatherings. Vacations and trips. Students are losing activities that fulfill them; seniors are grieving the loss of the capstones to their academic careers: graduations, proms, and other ceremonies. Those are legitimate losses that create grief.

The worried well are also experiencing anticipatory grief—deep anxiety in which the mind imagines future losses, of all the above and more, and the effect on loved ones. Within this group are minimizers and maximizers. Minimizers cope by denying the severity of the situation or hoping deeply, nervously, for the best. Maximizers imagine the sky is falling. The truth lies somewhere between the two points of view. Work helps each group balance their minds.

Second are the *affected,* who were sick themselves or know someone who was sick but has recovered or will recover. These people haven't just imagined trauma—they've experienced it. They will benefit from accommodation and validation. Some may need counseling and other support mechanisms.

The third group holds the *bereaved.* They have lost a loved one, are grieving a death, and will be dealing directly with the five stages. Many of them will be far from acceptance.

Simply recognizing these three groups and adjusting interventions specifically for each will go a long way toward helping workers heal. Making them aware that the groups exist helps as well: They can be sensitive to different experiences. You don't want a worried well minimizer saying, "So we had to work from home for a couple of months—so what?" in a group that may include colleagues who were sick or who are grieving a death.

In the workplace much talk is about how to engage employees. When I work with companies, I tell them that if someone is grieving a loss, that is a powerful opportunity to engage them. What keeps people in jobs and dedicated is not their compensation packages or a project they worked on. It's "When my loved one died, my boss did this very thoughtful thing." Or "When I got very sick, the company supported me throughout." Or "They checked on me during a crisis." One worker I spoke with had a loved one who became ill. His boss called—not to ask when he'd be back to work but, rather, to ask how the loved one was doing.

Companies have many grieving workers in this moment. As work returns to normal, how will they treat their employees? What did they learn? Can they turn post-traumatic stress into post-traumatic growth? (For more on this, see “Growth After Trauma,” in this issue.) Are they mistakenly “ramping back up” by asking “How can we return to the routine?” or “How can we make up for lost time and revenue?” Or will leaders invite workers into their offices and ask, “How are you doing today?” and “How can I support you?” Engagement comes from the latter.

## FINDING MEANING

Like any other framework, the five stages of grief are a distillation of complex ideas. It was always challenging for Kübler-Ross—one of the 20th century’s great thinkers and the author of dozens of books that have been translated into more than 40 languages—to see her life’s work reduced to those five words. People started viewing them as “five easy steps to grief,” but she and I would tell you there’s nothing easy about them. Late in her life we talked about how acceptance had taken on a kind of finality in the grief process that neither of us had intended. Some people believed that if they reached acceptance, they were finished. We talked informally about stages beyond acceptance—hope, maybe, or finding meaning after grief. I started to write a little about what came after acceptance.

Then, in 2016, my younger son, David, died unexpectedly. I canceled everything and stayed home for weeks. It felt as brutal as I could ever have imagined. Eventually I came across the writing I had done on meaning. It didn’t take the pain away, but it did provide a cushion. I started to talk with others who’d experienced similar grief, and they echoed what I felt.

I did not want to stop at acceptance. I started to notice that people who felt stuck in grief were those who were unable to find meaning. I began to see meaning as the sixth stage of grief. I was honored when the Kübler-Ross family and foundation allowed me to add it to the grief stages. I believe that many of us will be looking for this sixth stage in the wake of the pandemic.

I’m not talking about finding meaning *in* a terrible event. Rather, meaning is what you find, and what you make, *after* it. That won’t make a loss seem worth the cost. It will never be worth the cost. But meaning can heal painful memories and help us keep moving forward.

Meaning comes in many forms. An effort to remember the joy that something or someone gave before the loss can bring meaning. Rituals of remembrance can bring meaning. Gratitude is a form of meaning: I’ve found myself in awe of, and thanking, workers in essential services who persevere through this crisis, many of them risking their health for low wages. Turning the loss into something positive for others can bring meaning. Meaning comes in moments and actions that heal, even if just a little.

Meaning may take time. It will be personal (only you can find your own meaning). And it doesn’t have to be profound. In my book *Finding Meaning,* I tell the story of Marcy, a woman who lost her father. One day she was buying stamps, and the man behind the desk asked what kind she wanted and showed her a bunch of designs. Marcy didn’t really care until she noticed that one set had a picture of the entertainer Danny Thomas on them. She and her father used to love to watch *The Danny Thomas Show* together. It was a favorite memory. So Marcy chose those stamps. She didn’t frame them or revere them; she used them. When she paid a bill or sent a letter, she could remember her father fondly. She had created meaning.

Recognize that your loss is not a test. When we grapple with loss, we tend to think of it as a test of our fortitude and our ability to escape from the feelings the loss creates. But loss just happens. There’s no test—there’s just grieving. Meaning is what we make happen after.

I suspect that with the pandemic we’ll find meaning sooner than we do with many losses, because we’re all in this together over a relatively long period of time. I’ve found some meaning already. For me, writing articles like this one helps create meaning. Does it make experiencing a pandemic worth it? Absolutely not. But it is healing. That doesn’t mean we forget, or that damage didn’t occur; it means that damage no longer controls our lives. If we acknowledge that in this crisis, in our work, something meaningful happened for us and others, we are healing. We are moving forward in our grief.

I sincerely hope that for you, meaning comes soon, if it hasn’t already. I hope that work becomes a place where people find it—where coworkers support one another and where managers take care of their workers and allow them to grieve.

The pandemic is one season in our lives; it will end. It will be remembered as an extraordinarily difficult time. But the slow process of returning to a new normal—of naming our grief, helping one another reach acceptance, and finding meaning—will continue. For leaders that moment will be an opportunity.

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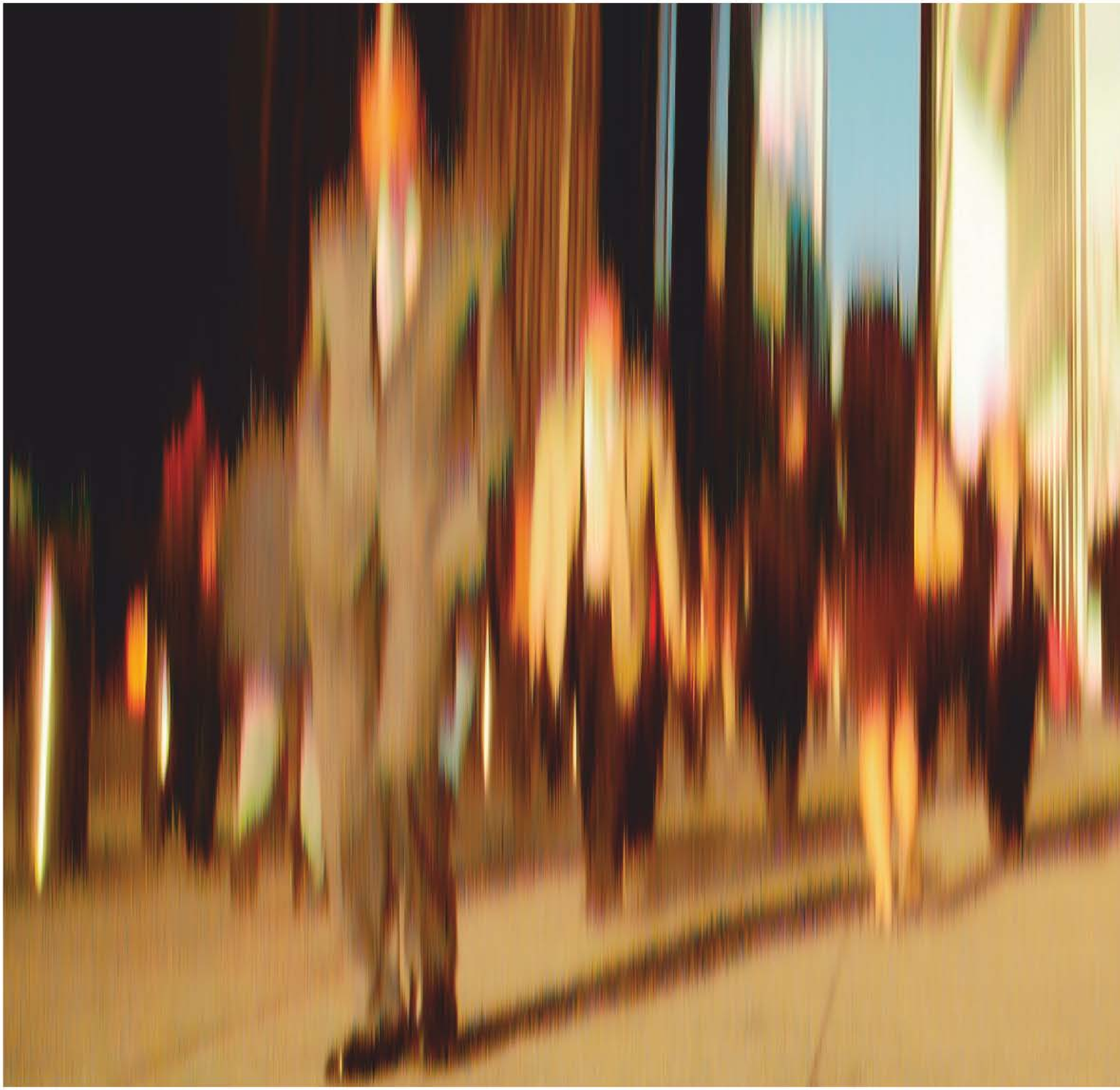

# Understand it as a tool to assist rather than

TECHNOLOGY

PHOTOGRAPHER
JEAN-BAPTISTE PERROT

# A BETTER WAY TO ONBOARD AI

AUTHORS

replace people.


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# IN A 2018 WORKFORCE INSTITUTE SURVEY OF 3,000 MANAGERS ACROSS EIGHT INDUSTRIALIZED NATIONS, THE MAJORITY OF RESPONDENTS DESCRIBED ARTIFICIAL INTELLIGENCE AS A VALUABLE PRODUCTIVITY TOOL.

It's easy to see why: AI brings tangible benefits in processing speed, accuracy, and consistency (machines don't make mistakes because they're tired), which is why many professionals now rely on it. Some medical specialists, for example, use AI tools to help make diagnoses and decisions about treatment.

But respondents to that survey also expressed fears that AI would take their jobs. They are not alone. The *Guardian* recently reported that more than 6 million workers in the UK fear being replaced by machines. These fears are echoed by academics and executives we meet at conferences and seminars. AI's advantages can be cast in a much darker light: Why would humans be needed when machines can do a better job?

The prevalence of such fears suggests that organizations looking to reap the benefits of AI need to be careful when introducing it to the people expected to work with it. Andrew Wilson, until January 2020 Accenture's CIO, says, "The greater the degree of organizational focus on people helping AI, and AI helping people, the greater the value achieved." Accenture has found that when companies make it clear that they are using AI to help people rather than to replace them, they significantly outperform companies that don't set that objective (or are unclear about their AI goals) along most dimensions of managerial productivity—notably speed, scalability, and effectiveness of decision-making.

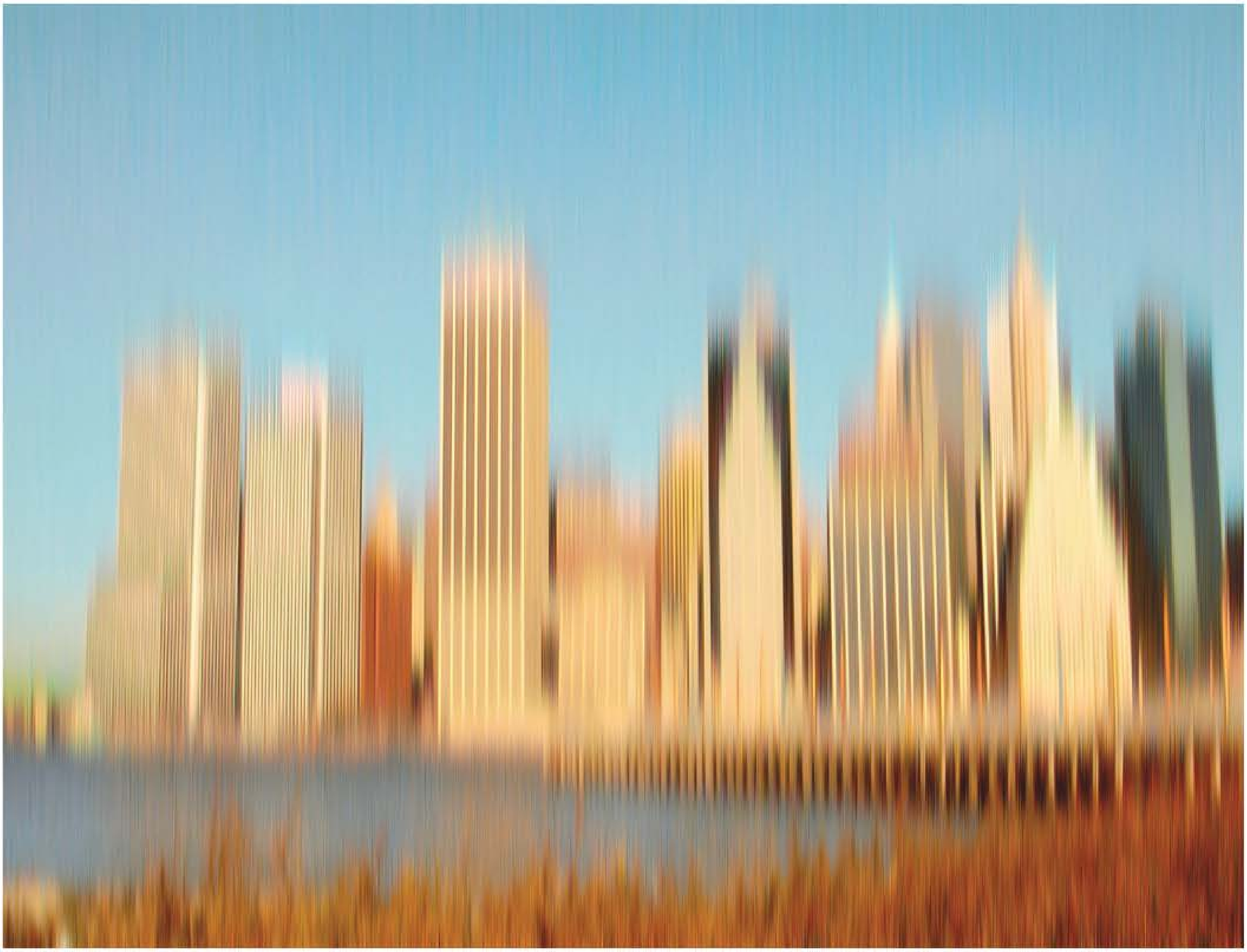
In other words, just as when new talent joins a team, AI must be set up to succeed rather than to fail. A smart

**IDEA IN BRIEF**

**THE PROBLEM**
*Many companies struggle to apply AI and fail to achieve the productivity improvements they seek.*

**WHY IT HAPPENS**
*Executives often don't make clear that they are using AI to help people increase productivity rather than to replace them.*

**HOW TO FIX IT**
*Treat AI adoption as an onboarding process that consists of four phases: AI as an assistant, as a monitor, as a coach, and as a teammate.*



employer trains new hires by giving them simple tasks that build hands-on experience in a noncritical context and assigns them mentors to offer help and advice. This allows the newcomers to learn while others focus on higher-value tasks. As they gain experience and demonstrate that they can do the job, their mentors increasingly rely on them as sounding boards and entrust them with more-substantive decisions. Over time an apprentice becomes a partner, contributing skills and insight.

We believe this approach can work for artificial intelligence as well. In the following pages we draw on our own and others' research and consulting on AI and information systems implementation, along with organizational studies of innovation and work practices, to present a four-phase approach to implementing AI. It allows enterprises to cultivate people's trust—a key condition for adoption—and to work toward a distributed human-AI cognitive system in which people and AI *both* continually improve. Many organizations have experimented with phase 1, and some have progressed to phases 2 and 3. For now, phase 4 may be mostly a "future-casting" exercise of which we see some early signs, but it is feasible from a technological perspective and would provide more value to companies as they engage with artificial intelligence.

## PHASE 1
## THE ASSISTANT

This first phase of onboarding artificial intelligence is rather like the process of training an assistant. You teach the new employee a few fundamental rules and hand over some basic but time-consuming tasks you normally do (such as filing online forms or summarizing documents), which frees you to focus on more-important aspects of the job. The

> AI is especially helpful during high-volume decision-making, when human employees may be tired or distracted.

trainee learns by watching you, performing the tasks, and asking questions.

One common task for AI assistants is sorting data. An example is the recommendation systems companies have used since the mid-1990s to help customers filter thousands of products and find the ones most relevant to them—Amazon and Netflix being among the leaders in this technology.

More and more business decisions now require this type of data sorting. When, for example, portfolio managers are choosing stocks in which to invest, the information available is far more than a human can feasibly process, and new information comes out all the time, adding to the historical record. Software can make the task more manageable by immediately filtering stocks to meet predefined investment criteria. Natural-language processing, meanwhile, can identify the news most relevant to a company and even assess the general sentiment about an upcoming corporate event as reflected in analysts' reports. Marble Bar Asset Management (MBAM), a London-based investment firm founded in 2002, is an early convert to using such technologies in the workplace. It has developed a state-of-the-art platform, called RAID (Research Analysis & Information Database), to help portfolio managers filter through high volumes of information about corporate events, news developments, and stock movements.

Another way AI can lend assistance is to model what a human might do. As anyone who uses Google will have noticed, prompts appear as a search phrase is typed in. Predictive text on a smartphone offers a similar way to speed up the process of typing. This kind of user modeling, related to what is sometimes called *judgmental bootstrapping,* was developed more than 30 years ago; it can easily be applied to decision-making. AI would use it to identify the choice an employee is most likely to make, given that employee's past choices, and would suggest that choice as a starting point when the employee is faced with multiple decisions—speeding up, rather than actually doing, the job.

Let's look at this in a specific context. When airline employees are deciding how much food and drink to put on a given flight, they fill out catering orders, which involve a certain amount of calculation together with assumptions based on their experience of previous flights. Making the wrong choices incurs costs: Underordering risks upsetting customers who may avoid future travel on the airline. Overordering means the excess food will go to waste and the plane will have increased its fuel consumption unnecessarily.

An algorithm can be very helpful in this context. AI can predict what the airline's catering manager would order by analyzing his or her past choices or using rules set by the manager. This "autocomplete" of "recommended orders" can be customized for every flight using all relevant historical data, including food and drink consumption on the route in question and even past purchasing behavior by passengers on the manifest for that flight. But as with predictive typing, human users can freely overwrite as needed; they are always in the driver's seat. AI simply assists them by imitating or anticipating their decision style.

It should not be a stretch for managers to work with AI in this way. We already do so in our personal lives, when we allow the autocomplete function to prefill forms for us online. In the workplace a manager can, for example, define specific rules for an AI assistant to follow when completing forms. In fact, many software tools currently used in the workplace (such as credit-rating programs) are already just that: collections of human-defined decision rules. The AI assistant can refine the rules by codifying the circumstances under which the manager actually follows them. This learning needn't involve any change in the manager's behavior, let alone any effort to "teach" the assistant.

## PHASE 2
# THE MONITOR

The next step is to set up the AI system to provide real-time feedback. Thanks to machine-learning programs, AI can be trained to accurately forecast what a user's decision would be in a given situation (absent lapses in rationality owing to, for example, overconfidence or fatigue). If a user is about to make a choice that is inconsistent with his or her choice history, the system can flag the discrepancy. This is especially helpful during high-volume decision-making, when human employees may be tired or distracted.

Research in psychology, behavioral economics, and cognitive science shows that humans have limited and imperfect reasoning capabilities, especially when it comes to statistical and probabilistic problems, which are ubiquitous in business. Several studies (of which one of us, Chen, is a coauthor) concerning legal decisions found that judges grant political asylum more frequently before lunch than after, that they give lighter prison sentences if their NFL team won the previous day than if it lost, and that they will go easier on a defendant on the latter's birthday. Clearly justice might be better served if human decision makers were assisted by software that told them when a decision they were planning to make was inconsistent with their prior decisions or with the decision that an analysis of purely legal variables would predict.

AI can deliver that kind of input. Another study (also with Chen as a coauthor) showed that AI programs processing a model made up of basic legal variables (constructed by the study's authors) can predict asylum decisions with roughly 80% accuracy on the date a case opens. The authors have added learning functionality to the program, which enables it to simulate the decision-making of an individual judge by drawing on that judge's past decisions.

The approach translates well to other contexts. For example, when portfolio managers (PMs) at Marble Bar Asset Management consider buy or sell decisions that may raise the overall portfolio risk—for example, by increasing exposure to a particular sector or geography—the system alerts them through a pop-up during a computerized transaction process so that they can adjust appropriately. A PM may ignore such feedback as long as company risk limits are observed. But in any case the feedback helps the PM reflect on his or her decisions.

Of course AI is not always "right." Often its suggestions don't take into account some reliable private information to which the human decision maker has access, so the AI might steer an employee off course rather than simply correct for possible behavioral biases. That's why using it should be like a dialogue, in which the algorithm provides nudges according to the data it has while the human teaches the AI by explaining why he or she overrode a particular nudge. This improves the AI's usefulness and preserves the autonomy of the human decision maker.

Unfortunately, many AI systems are set up to usurp that autonomy. Once an algorithm has flagged a bank transaction as possibly fraudulent, for example, employees are often unable to approve the transaction without clearing it with a supervisor or even an outside auditor. Sometimes undoing a machine's choice is next to impossible—a persistent source of frustration for both customers and customer service professionals. In many cases the rationale for an AI choice is opaque, and employees are in no position to question that choice even when mistakes have been made.

Privacy is another big issue when machines collect data on the decisions people make. In addition to giving humans control in their exchanges with AI, we need to guarantee that any data it collects on them is kept confidential. A wall ought to separate the engineering team from management; otherwise employees may worry that if they freely interact with the system and make mistakes, they might later suffer for them.

Also, companies should set rules about designing and interacting with AI to ensure organizational consistency in norms and practices. These rules might specify the level of predictive accuracy required to show a nudge or to offer a reason for one; criteria for the necessity of a nudge; and the conditions under which an employee should either follow the AI's instruction or refer it to a superior rather than accept or reject it.

To help employees retain their sense of control in phase 2, we advise managers and systems designers to involve them in design: Engage them as experts to define the data that will be used and to determine ground truth; familiarize them with models during development; and provide training and interaction as those models are deployed. In the process, employees will see how the models are built, how the data is managed, and why the machines make the recommendations they do.

## PHASE 3
## THE COACH

In a recent PwC survey nearly 60% of respondents said that they would like to get performance feedback on a daily or a weekly basis. It's not hard to see why. As Peter Drucker asserted in his famous 2005 *Harvard Business Review* article

Of course AI is not always “right.” That’s why using it should be like a dialogue, to improve its usefulness and preserve the autonomy of the human decision maker.

“Managing Oneself,” people generally don’t know what they are good at. And when they think they do know, they are usually wrong.

The trouble is that the only way to discover strengths and opportunities for improvement is through a careful analysis of key decisions and actions. That requires documenting expectations about outcomes and then, nine months to a year later, comparing those expectations with what actually happened. Thus the feedback employees get usually comes from hierarchical superiors during a review—not at a time or in a format of the recipient’s choosing. That is unfortunate, because, as Tessa West of New York University found in a recent neuroscience study, the more people feel that their autonomy is protected and that they are in control of the conversation—able to choose, for example, when feedback is given—the better they respond to it.

AI could address this problem. The capabilities we’ve already mentioned could easily generate feedback for employees, enabling them to look at their own performance and reflect on variations and errors. A monthly summary analyzing data drawn from their past behavior might help them better understand their decision patterns and practices. A few companies, notably in the financial sector, are taking this approach. Portfolio managers at MBAM, for example, receive feedback from a data analytics system that captures investment decisions at the individual level.

The data can reveal interesting and varying biases among PMs. Some may be more loss-averse than others, holding on to underperforming investments longer than they should. Others may be overconfident, possibly taking on too large a position in a given investment. The analysis identifies these behaviors and—like a coach—provides personalized feedback that highlights behavioral changes over time, suggesting how to improve decisions. But it is up to the PMs to decide how to incorporate the feedback. MBAM’s leadership believes this “trading enhancement” is becoming a core differentiator that both helps develop portfolio managers and makes the organization more attractive.

What’s more, just as a good mentor learns from the insights of the people who are being mentored, a machine-learning “coachbot” learns from the decisions of an empowered human employee. In the relationship we’ve described, a human can disagree with the coachbot—and that creates new data that will change the AI's implicit model. For example, if a portfolio manager decides not to trade a highlighted stock because of recent company events, he or she can provide an explanation to the system. With feedback, the system continually captures data that can be analyzed to provide insights.

If employees can relate to and control exchanges with artificial intelligence, they are more likely to see it as a safe channel for feedback that aims to help rather than to assess performance. Choosing the right interface is useful to this end. At MBAM, for example, trading enhancement tools—visuals, for instance—are personalized to reflect a PM's preferences.

As in phase 2, involving employees in designing the system is essential. When AI is a coach, people will be even more fearful of disempowerment. It can easily seem like a competitor as well as a partner—and who wants to feel less intelligent than a machine? Concerns about autonomy and privacy may be even stronger. Working with a coach requires honesty, and people may hesitate to be open with one that might share unflattering data with the folks in HR.

Deploying AI in the ways described in the first three phases does of course have some downsides. Over the long term new technologies create more jobs than they destroy, but meanwhile labor markets may be painfully disrupted. What's more, as Matt Beane argues in "Learning to Work with Intelligent Machines" (HBR, September–October 2019), companies that deploy AI can leave employees with fewer opportunities for hands-on learning and mentorship.

There is some risk, therefore, not only of losing entry-level jobs (because digital assistants can effectively replace human ones) but also of compromising the ability of future decision makers to think for themselves. That's not inevitable, however. As Beane suggests, companies could use their artificial intelligence to create different and better learning opportunities for their employees while improving the system by making it more transparent and giving employees more control. Because future entrants to the workforce will have grown up in a human-plus-machine workplace, they will almost certainly be faster than their pre-AI colleagues at spotting opportunities to innovate and introduce activities that add value and create jobs—which brings us to the final phase.

## PHASE 4
# THE TEAMMATE

Edwin Hutchins, a cognitive anthropologist, developed what is known as the theory of distributed cognition. It is based on his study of ship navigation, which, he showed, involved a combination of sailors, charts, rulers, compasses, and a plotting tool. The theory broadly relates to the concept of extended mind, which posits that cognitive processing, and associated mental acts such as belief and intention, are not necessarily limited to the brain, or even the body. External tools and instruments can, under the right conditions, play a role in cognitive processing and create what is known as a *coupled system*.

In line with this thinking, in the final phase of the AI implementation journey (which to our knowledge no organization has yet adopted) companies would develop a coupled network of humans and machines in which both contribute expertise. We believe that as AI improves through its interactions with individual users, analyzing and even modeling expert users by drawing on data about their past decisions and behaviors, a community of experts (humans and machines) will naturally emerge in organizations that have fully integrated AI coachbots. For example, a purchasing manager who—with one click at the moment of decision—could see what price someone else would give could benefit from a customized collective of experts.

Although the technology to create this kind of collective intelligence now exists, this phase is fraught with challenges. For example, any such integration of AI must avoid building in old or new biases and must respect human privacy concerns so that people can trust the AI as much as they would a human partner. That in itself is a pretty big challenge, given the volume of research demonstrating how hard it is to build trust among humans.

The best approaches to building trust in the workplace rely on the relationship between trust and understanding—a subject of study by David Danks and colleagues at Carnegie Mellon. According to this model, I trust someone because I understand that person's values, desires, and intentions, When AI is a coach, people will be even more fearful of disempowerment. It can easily seem like a competitor as well as a partner.

and they demonstrate that he or she has my best interests at heart. Although understanding has historically been a basis for building trust in human relationships, it is potentially well suited to cultivating human–AI partnerships as well, because employees' fear of artificial intelligence is usually grounded in a lack of understanding of how AI works. (See the sidebar "When AI Loses Its Way.")

In building understanding, a particular challenge is defining what "explanation" means—let alone "good explanation." This challenge is the focus of a lot of research. For example, one of us (Evgeniou) is working to open up machine-learning "black boxes" by means of so-called counterfactual explanations. A counterfactual explanation illuminates a particular decision of an AI system (for example, to approve credit for a given transaction) by identifying a short list of transaction characteristics that drove the decision one way or another. Had any of the characteristics been different (or counter to the fact), the system would have made a different decision (credit would have been denied).

## WHEN AI LOSES ITS WAY

In 2016 the investigative newsroom *ProPublica* published an exposé of a risk-prediction AI program known as COMPAS, which judges in southern Florida use to determine a defendant's likelihood of re-offending within a specified time period.

The algorithm underlying COMPAS is held as a trade secret by its manufacturer, Northpointe (now Equivant), which means that we don't know how COMPAS generates its predictions, nor do we have access to the data the algorithm is trained on—so we cannot even inquire into its rationale. When it was reported that the algorithm produces disparate outcomes across race, COMPAS immediately became a leading example of why people cannot trust AI.

If businesses want employees to adopt, use, and ultimately trust AI systems, it will be important to open up the black box—to the extent legally possible—to those who are expected to engage with the technology. As Richard Socher, the chief scientist at Salesforce, puts it, "If businesses use AI to make predictions, they owe humans an explanation as to how the decisions are made."

Evgeniou is also exploring what people perceive as good explanations for AI decisions. For example, do they see an explanation as better when it's presented in terms of a logical combination of features ("The transaction was approved because it had X,Y,Z characteristics") or when it's presented relative to other decisions ("The transaction was approved because it looks like other approved transactions, and here they are for you to see")? As research into what makes AI explainable continues, AI systems should become more transparent, thus facilitating trust.

ADOPTING NEW TECHNOLOGIES has always been a major challenge—and the more impact a technology has, the bigger the challenge is. Because of its potential impact, artificial intelligence may be perceived as particularly difficult to implement. Yet if done mindfully, adoption can be fairly smooth. That is precisely why companies must ensure that AI's design and development are responsible—especially with regard to transparency, decision autonomy, and privacy—and that it engages the people who will be working with it. Otherwise they will quite reasonably fear being constrained—or even replaced—by machines that are making all sorts of decisions in ways they don't understand.

Getting past these fears to create a trusting relationship with AI is key. In all four phases described in these pages, humans determine the ground rules. With a responsible design, AI may become a true partner in the workplace—rapidly processing large volumes of varied data in a consistent manner to enhance the intuition and creativity of humans, who in turn teach the machine.

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LEADERSHIP

# A New Prescription for Power

Spend less time exerting control and more time mobilizing energy and commitment.

TARA, THE CHIEF STRATEGY officer of a software firm, was the newest member of the C-suite. Except for the CEO, the other officers had joined the executive team from the technology side in the course of acquisitions. Tara, the only MBA, had come from the business side and been recommended by the board. She was excited about her mandate: to drive a coherent strategy across the firm's fragmented divisions.

Several months in, however, Tara had accomplished little. She'd been blocked by her fellow officers at every turn. In frustration, she asked her supporters on the board to back her up with the CEO. She was stunned when they not only declined but said they might have erred in recommending her for the position. What had gone wrong?

As most leaders discover sooner or later, effectively wielding power is rarely straightforward. Simply exercising control over others—the traditional concept of power—is often not the best strategy; it may not even be an option. When the path ahead or the very need for change is in dispute, when looking to seize an opportunity rather than put out a fire, when working across silos where claims to authority may be ambiguous and contested, leaders should take a different approach. The most potent uses of power often involve no direct influence tactics at all.

On the basis of decades of research and consulting with executives and managers, we have developed an approach to power that goes beyond exerting control and mobilizes others' energy and commitment. Our model of power focuses on its three core dimensions: *situational, relational,* and *dynamic*. The degree to which you draw on all three will determine how effectively you get things done.

## Power Is Situational

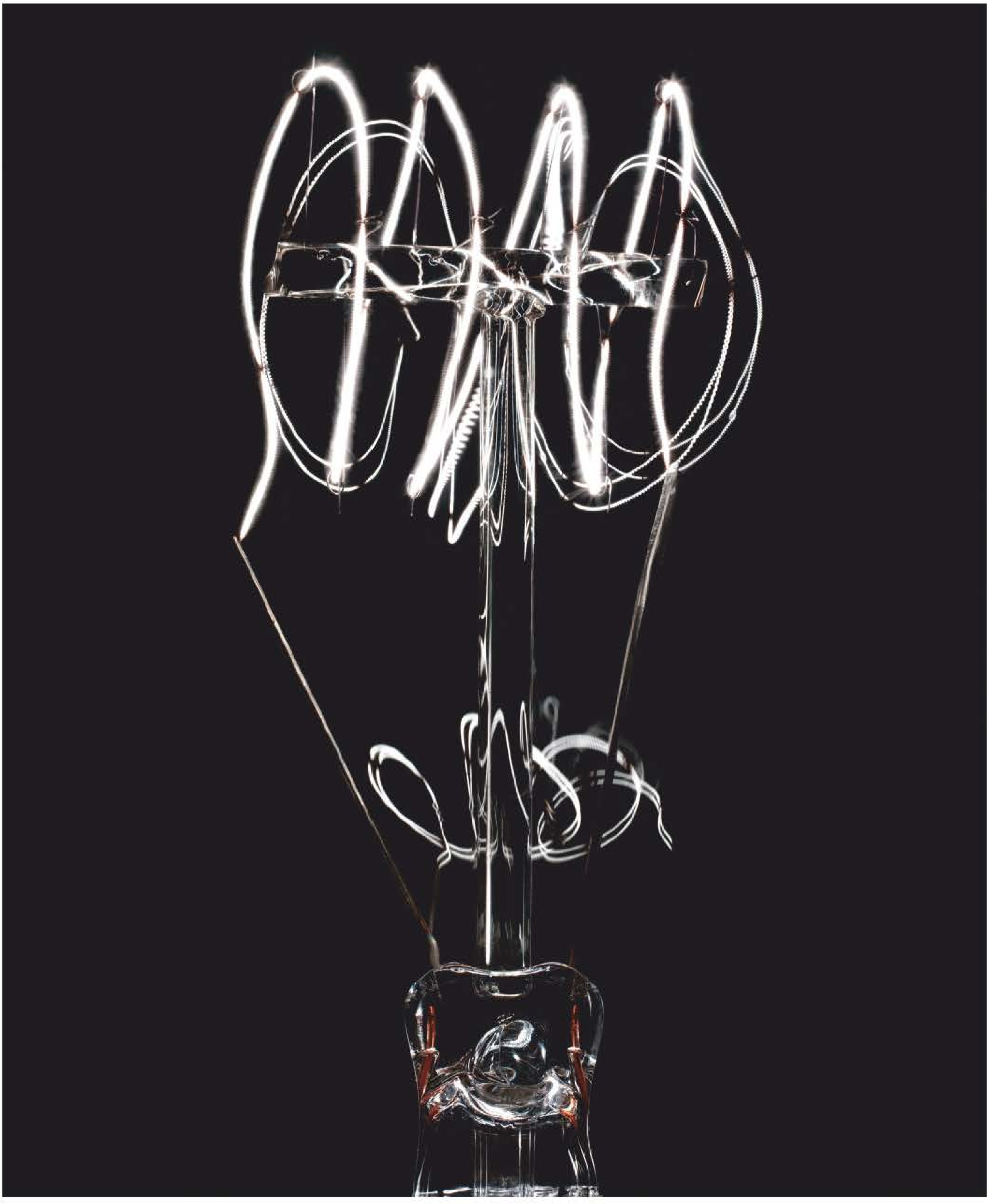
Leaders often view power as a purely personal quality, derived from their formal roles and titles, accreditations, skills, and experience; from the information they control and the reputation they've built; and from their charisma, resilience, and energy. But power also arises from and depends on situational factors such as your objectives, the environment, and bases of power. Stanford professor Jeffrey Pfeffer has observed that one of the primary ways leaders limit their own power is by failing to search for and cultivate sources of influence beyond formal authority and personal charisma. We suggest several steps to help you identify and deploy situational sources of power.

**Think expansively about the change you seek.** Begin by considering the nature of your goal. For example, are you advancing structural change or refining an existing process? Are you managing a crisis or championing a new initiative?

**IDEA IN BRIEF**

**THE PROBLEM**
*Simply exercising control over others—the traditional concept of power—is often not the best strategy. When the path ahead or the very need for change is in dispute, when looking to seize an opportunity rather than put out a fire, when working across silos where claims to authority may be ambiguous, leaders should take a different approach.*

**THE WAY FORWARD**
*A new model of power focuses on its three core dimensions: situational, relational, and dynamic. The degree to which leaders draw on all three determines how effectively they get things done.*



Carlton Davis/Trunk Archive

Then think about how you might engage others' energy and commitment to achieve that goal. Ask yourself not just why the goal is important to you but also why it might be important to your colleagues, your company, and society. By drilling down into these questions, you can capture the emotions needed to win the hearts and minds of others while accumulating resilience and energy for the work ahead.

Power is often most potent when it mobilizes passion—your own and others'—and when personal objectives and the demands of the situation align. Consider Chief, the private network for connecting and supporting executive women. At critical junctures in their careers, founders Carolyn Childers and Lindsay Kaplan had each wished for advice from other female executives only to realize that like many women, they lacked the deep networks men had built. Inspired by the YPO model, which connects young business leaders around the world, they saw an opportunity to link women executives. Leaving high-profile roles at other companies, they called on funders and power brokers inside and outside their personal networks to help realize their vision. Chief's first "clubhouse" opened its doors in New York in 2019. It was soon fully subscribed, with members paying hefty fees to belong and committing themselves to growing the organization. In pursuing their personal and professional goals, Childers and Kaplan tapped into a need and desire for community among female leaders and crafted an offering that resonated deeply with them.

**Identify hidden roadblocks and turn them to your advantage.** Most people believe in a just world—one in which credit and rewards accrue in accordance with performance. But that conviction can become an obstacle to the effective development and use of power. In fact, MIT professor Emilio Castilla's research on the so-called meritocracy paradox finds that bias is higher in contexts that focus exclusively on who is most deserving. Situational power, then, starts with the recognition that working harder and smarter often fails to achieve the "earned" outcome. To get results, leaders should instead work with trusted colleagues and stakeholders to assess the lay of the land and identify blind spots. How does your goal fit within the existing landscape? Why hasn't the problem you're addressing already been remedied, or the innovation you're promoting been realized? What obstacles stand in your way?

Steven, a rising executive at a century-old insurance company, saw an opportunity to apply a user-centered design approach to drive strategic innovation, but he lacked the status to advance such a major initiative himself. Despite his best efforts, he was unable to get his colleagues on board. As he thought about why he was deadlocked, he realized that they saw design thinking as a fad and didn't want to commit employees or other resources to it. Yet as he considered the "why" behind his proposal, he recognized that a user-centered approach not only reflected his values but also resonated with the firm's origin story and mission: taking care of customers in times of need. He realized that reframing his proposal as an articulation of the organization's core values would yield power he could leverage, especially with his skeptical colleagues. Acting on that insight, he successfully pushed his initiative through.

**Look beyond titles and credentials.** In a study of successful corporate leaders and entrepreneurs, one of us (Kathleen) and colleagues looked at ways in which formal positions and status markers helped leaders advance their goals. One executive described her motivation for going to business school at age 40 this way: "To get in the room with the guys, you need to be able to talk their language and… have the credibility of knowing that you went to one of the best schools and did very well." Titles and credentials can secure a place at the table—but they are not always sufficient for the effective exercise of power.

Another executive in Kathleen's study was a banker we'll call Meghan, who, having led several successful IPOs, was hired for a corporate leadership role at a big-box retailer. "The board wanted someone with my skill set, but many in the company reacted violently, like 'We don't know you, and we don't know why you're here,'" she told us. "I had to work really, really hard to gain authority." To her surprise, her new colleagues didn't seem to care about her IPO credentials. "It wasn't about the deal anymore. I had to put on an apron and work in the store. To gain authority, I had to learn the business from the ground up."

When considering a new position, leaders should think not only about what titles and resources the job confers but also about whether the culture is one in which they can thrive. One newly minted MBA turned down an offer that would have required rotations in multiple cities, choosing instead a small, growing firm based in her hometown, where she understood the values needed for success. That intuitive understanding, she felt, would allow her to cultivate a stronger base of power than would the constant adaptation associated with moving from one unfamiliar city to another. "It was a company with a lot of integrity, and it was headquartered in the city my spouse and I were from," she recalled. "All the stars were aligned."

## Exercising Situational Power

Your job title and personal charisma will take you only so far. Your power strategy should be informed by your objectives, the environment, and bases of power. Ask yourself:

1. What do I seek to accomplish?
2. Why is this goal important not just to me but to my company and society?
3. Why hasn't it been done before?
4. What roadblocks might I encounter? Can I go around or overcome them, or should I pursue a different goal or seek a new environment?
5. What sources of personal power do I have? Are there existing power bases—such as shared commitment, existing practices, and core values—that I can direct toward my goal?
6. How do I leverage those sources of power to mobilize others?
7. Are there other ways to get the job done?

## Power Is Relational

Beyond your personal attributes and the situational factors in your organization, your power is also enabled and constrained by your interactions with others. The relationships and coalitions you forge can be a major source of support, advice, information, and resources; those you overlook or ignore can loom as potential points of resistance.

The COO of an international manufacturing firm we worked with builds and leverages relationships with plant leaders with an unusual frequency and intensity. "The division heads and sales leaders have my cell phone number, and I have theirs. I can call them anytime," she told us. "They tell me things I need to know, and I tell them things they need to know—things that will help them or are hot buttons for them." And she is keenly aware of the value of nurturing relationships over time. "I'm working on a project that requires a change in manufacturing and distribution," she said. "The marketing element of the initiative is huge. Because I worked closely with the marketing team five years ago, anytime I call them, their response is, 'Yeah, we can do that.'"

To cultivate and exercise relational power, take the following steps.

**Scope out the landscape.** Consider who could help you advance your ideas and then map the array of allies, resisters, and others who might affect your efforts. This will help you understand people's positions and priorities, actual and possible points of resistance, and potential blocking and supporting coalitions. Then ask yourself, What sources of influence can I deploy to engage others? How will I be able to tell whether those efforts are enough?

Another executive in Kathleen's study recounted a time when, as a newly promoted manager, she was working on a potentially transformative idea. The local vice president expressed interest in the idea but felt it would be impossible to forge a partnership with a key outside company. Undeterred, the manager focused on expanding her knowledge of that firm. "I never stopped talking to people," she recalled. "Before hanging up, I would say, 'Can you give me the name of someone else to talk to?' I learned everything I could about the company—where its business was, where it was trying to make inroads, what its needs were." Within a few months this relationship building yielded a connection to the company's founder, who agreed to give the idea a trial. It proved so successful that the manager ended up leaving the company to found her own firm, built around the new partnership.

Tara, the CSO who was struggling to implement a unified strategy in her software firm, is another case in point. Assessing her company's relational landscape, she recognized that shared values were established in the divisions and then traveled to the center, not the reverse. As she was considering how to get her plans on track, a divisional general manager left the firm. Seeing the potential benefits to working side by side with other GMs, Tara asked to lead the division during the search for a permanent head while retaining her role as chief strategy officer. This brought her into the fold in a way she could never have achieved solely as CSO, and she gained the other GMs' buy-in on a strategy that was ultimately backed by her peers in the C-suite.

**Elicit insights from key parties and invite them to co-create solutions.** A pediatrician at a large New England hospital learned the value of this approach. "Usually I would develop what I thought was a good idea and then worry about getting others to adopt it," she says. "But nothing would happen: People resisted, either openly or passively. Finally, I began to take time up front—engaging in empathic inquiry and inviting others to co-create a solution with me—and the results have been incredible. By the time we pitched to secure resources for a radically new process for onboarding doctors and nurses, I already had the buy-in of the other key doctors and the heads of nursing. The hospital couldn't say no." One of us (Elizabeth) has found in her work with executives and entrepreneurs that this pitfall—putting ideas first and people second—is common. By taking the opposite

tack, leaders may discover that they no longer have to rely solely on personal influence tactics.

**Attend to reciprocity and dependency.** When assessing their power, Pfeffer says, leaders need to map their dependencies. Who relies on you? On whom do you rely? Who controls the resources in your firm, and why? Your position in the flow of resources may be as important as your formal title; you can accrue power by controlling and creating resources that others need. The fewer substitutes for the resources you command, the more power you have.

But there will inevitably be times when you are more dependent on others than they are on you. The goal then is to find ways to create value for them and thus increase their reliance on you. Pat Fili-Krushel, who started as a secretary at ABC Sports and rose to become president of the network, realized at the start that her initial role could limit her unless she developed sponsors who recognized what she brought to the organization. In each new position she found ways to help her bosses succeed. "I was a learning machine," she says. "Each boss knew I would always get him the information and results he needed." Fili-Krushel's bosses quickly came to rely on her, and in return they recommended her for successively bigger roles.

**Leverage relationships among others.** As the sociologist Ron Burt has noted, relational power often comes from brokering connections among others—which may require some finesse. While leaders can often extract information and value by keeping people strategically isolated, that approach may undermine trust and commitment. Instead, as Elizabeth discovered in a multiyear ethnography of leaders in the global music industry, a strategic understanding of when and how to bring people together is also needed to develop and implement good ideas.

Jesse, a highly successful Nashville producer, carefully choreographs how he brings together various parties—artists, studio musicians, label personnel, and others—at the outset of a project. He makes a point of publicly praising specific people's expertise and highlighting what each member contributes to the team; this has real implications for the ultimate performance, he finds. Later in the process, strategic separation might be in order. A producer named Sarah uses the structure and technology of the recording studio to keep lead artists and session players from commenting on one another's performances and possibly inciting counterproductive conflict. "I've got the talk-back button—I'm the only one who can use it," she says. "I let the artist tell me things in between takes, but I never pass along negative comments to the guitarist. And I don't let the artist know if the musicians think something's not great."

**Make smart trade-offs.** Because relationships require investment and nurturing, you need to make choices about whom you will interact with, how often, and on what terms. London Business School's Herminia Ibarra has found that successful professionals need two types of connections: instrumental relationships, which provide professional information, sponsorship, and resources; and supportive relationships, which are built on personal trust and offer socioemotional buttressing along with dependable, high-quality feedback. Balancing the two types is particularly critical in times of uncertainty or stress, such as when you're in line for a promotion or launching a new venture.

It becomes increasingly difficult to maintain that balance as you progress in your career and add connections to your network; you will need to make trade-offs between breadth and depth. Heidi Roizen, a venture capitalist known for her extensive network, became much more strategic about how she spent her time and energy as she advanced. She grew more selective about whom she interacted with on a personal level and made sure that new professional ties were with people she genuinely enjoyed.

## Exercising Relational Power

Your ability to exert influence comes in part from your interactions with others—enlisting and mobilizing supporters and identifying and overcoming potential resisters. As you map your relational landscape in pursuit of a particular goal, ask yourself:

1. Who is necessary to help bring my idea to life? What do those people care about?
2. What does the larger network of stakeholders—customers, government, community, lower-level employees, and so on—care about? How can I make it easy for people to say yes to my idea?
3. Who might be unexpected allies? Unexpected blockers? Why? How might my goals coincide or conflict with theirs?
4. What are possible points of resistance? Who might benefit from helping me overcome them?
5. Who is dependent on me? How might that prove beneficial? On whom do I depend? Is that productive or problematic in this situation?
6. Who would benefit from co-creating solutions with me?
7. How and when might I strategically bring people together or keep them apart?

## Power Is Dynamic

Many leaders have a static view of power: Once they've established their influence, they assume it's always there for the using. However, our research suggests that to maintain power, leaders must continually adapt to changes in organizational and social systems. Influence strategies that work today may fail tomorrow. Here's how to keep up.

**Pause, reflect, and pivot.** As entrepreneurs and innovators well know, bringing a product or service to market is rarely a linear process. Offerings must be revised to reflect new perspectives, feedback, and changes in technology or competition. The same is true of the exercise of power: At points it is best to defer decisions, reflect on new information or how your efforts fit within a changing context, and revise the path ahead. Other times it is wise to step away and recharge. In such instances it's important to think creatively about new ways to engage your target.

Working with Harvard's Lakshmi Ramarajan and Simmons's Deborah Kolb, Kathleen studied how a professional services firm's diversity and inclusion initiative played out over 20 years. Internal documents from the initiative revealed cycles of analysis and action—the organizational equivalent of pausing and pivoting. During periods of analysis, undertaken when results had stalled, leaders of the initiative would gather information about its challenges and ask outside experts for their interpretation of the situation. That would lead to a new phase of action. The process was continual: Because the organization, the marketplace for talent, and the diversity challenges were dynamic, each set of actions, no matter how successful at the outset, would gradually lose traction as the context evolved, necessitating a new phase of analysis.

Pausing and pivoting may also be necessary on an individual level. Although Steven, the rising insurance executive described earlier, succeeded in launching his user-centered design initiative, there was a catch. Instead of appointing him to direct the project, senior leadership hired an outsider. Steven was disappointed, but he remained supportive of the effort as he turned to other tasks. His strategy of pivoting while staying engaged panned out. The new director, who lacked a deep understanding of the firm's culture, soon departed, and Steven was offered the position. In our research we have found many instances of leaders who were passed over for promotion but pivoted while remaining engaged and visible and were eventually tapped for the desired role.

As these examples suggest, there is a meaningful distinction between pausing to pivot and avoidance. The first allows you to reconsider and reconstitute your influence attempt; the second, often arising from discomfort or an inability to effectively exercise power, means giving up your opportunity to gain influence.

**Use experiments to your advantage.** Each new stage in a career, each new assignment, brings a new power landscape and the opportunity to design a new influence approach. Many of the successful leaders we've studied engage in formal and informal experimentation, trying different approaches in similar settings and observing others' approaches. Although you may ultimately set your sights on driving major change, the best way to begin harnessing your power is by "just doing it." Look for small wins and share your accomplishments.

Experiments are also invaluable for overcoming resistance to new ideas, as a midlevel executive at a consumer electronics company realized. He saw a strategic business opportunity: Could the firm capitalize on promising technologies that for one reason or another had not been given a green light for development? He identified several potential partners who were interested in collaborations to that end, but his firm was not equipped to set the arrangements up, and colleagues and senior executives expressed reluctance. So he decided to pilot the development model with one partner and one audio-engineering technology. This gave him evidence he could share about successes, potential pitfalls, and other lessons. With rich details from this experiment, he was able to engage colleagues, address the obstacles—real and imagined—that they had cited, and springboard a corporatewide effort to systematize strategic partnerships.

**Give resisters time to come on board.** People grow accustomed to the way power is distributed in their organizations, and they are more comfortable lending energy and commitment to those they know. Those dynamics can fuel resistance to new leaders. When that happens, all the lessons we've discussed come into play. It can help to examine how others before you have fared. Why was the previous person effective or ineffective? Are your power bases similar or different? Who are the critical brokers in your organization, and how can you establish and maintain mutually beneficial relationships with them? New leaders should understand that it may take time for people to transfer their allegiance.

At a transition point in her career, Fili-Krushel, the ABC Sports executive, was seeking a new challenge. Her boss suggested she throw her hat into the ring for VP of business

> Leaders must continually adapt to changes in organizational and social systems. Influence strategies that work today may fail tomorrow.

affairs. The executive overseeing that role didn't know Fili-Krushel and was concerned that she wasn't up to the job; he told her she didn't have what it takes to negotiate big deals and proposed a different role. "I told him, 'I don't negotiate like you,'" she recalls. "'There are other ways to negotiate that are more my style. Give me six months, and if you don't think I'm doing a good job, I'll move into the other role.' He agreed, and that was the last I heard of the other role."

### Exercising Dynamic Power

As the organizational systems and relationships around you change, you must continually reassess and modify your influence strategies. Ask yourself:

**1.** What is different in my power landscape? Are there new allies, resisters, or key players? Is there new information?

**2.** How might I adapt my tactics and strategy to reflect those changes?

**3.** Have I paused to reflect and pivot as needed?

**4.** What power bases do I need to develop more fully? How might I do so?

**5.** What small-scale experiments could I use to help overcome resistance?

**6.** How can I use time to my advantage?

**7.** What can I do now to make it easier for others to say yes in the future?

## Putting Your Power to Work

The psychologist Herb Kelman identified three kinds of social influence: *compliance, identification,* and *internalization.* Power aimed at compliance affects people's behavior in a given situation at a given time and depends on formal instruments such as policies, practices, and guidelines. Power aimed at identification is more durable and rests not on rules but on belief in the leader, who earns trust by communicating a vision, articulating goals, and tying the vision and goals to followers' desired outcomes. It stems from leaders' stories about themselves.

Power aimed at internalization stems from stories about the organization. It may involve changing long-held language, norms, cultures, and beliefs. This is one of the most subtle and effective forms of power; people may not even realize they are being influenced. When fostering internalization, symbolism and imagery are key. They can shape the way information and events are understood and acted on, as storytellers from Homer to Steve Jobs well knew.

Childers and Kaplan deftly used symbolism and storytelling when creating Chief. They invoked the metaphor of time travel to conjure a world in which C-suites are fully diverse and organizations are truly inclusive. They shared with potential funders and members their vision of an organization that would attract the energy and commitment of powerful women—one far removed from stale networking events replete with "name tags, awkward mingling in a nondescript conference room, and plastic cups of warm wine and picked-over cheese plates," as they put it. They paid particular attention to symbolic elements of the space in which members would gather: Co-opting the idea of an "old boys club," they opened their first clubhouse in the vibrant Manhattan neighborhood of Tribeca in rooms designed to exude camaraderie and power, with hunter-green walls and classic leather armchairs. Executive women readily internalized Childers and Kaplan's vision, not only filling membership to capacity but generating a lengthy waiting list to join.

POWER IS ELUSIVE and coveted, enabling and despised. It speaks to the best and the worst of human nature, evoking strong visceral feelings in those who hold it and in those under its sway.

The appropriate use of power is one of the most fundamental and contentious questions of the human condition. Leaders can mobilize energy for personal gain or for collective interests; to enhance potential or destroy it. A thoughtful approach to power requires a nuanced analysis of the intended and unintended effects of influence and close attention to the means as well as the ends.

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# What’s Your Negotiation

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# Strategy?

## Here's how to avoid reactive dealmaking

NEGOTIATION


PHOTOGRAPHER **JEFF MINTON**

NEGOTIATION

**When we advise our clients on negotiations, we often ask them how they intend to formulate a negotiation strategy.**

Most reply that they'll do some planning before engaging with their counterparts—for instance, by identifying each side's best alternative to a negotiated agreement (BATNA) or by researching the other party's key interests. But beyond that, they feel limited in how well they can prepare. What we hear most often is "It depends on what the other side does."

Fair enough. For most routine negotiations, a reactive approach is sufficient. When the stakes are low, skilled negotiators can pivot with relative ease from one tactic to another as the opposite side makes moves, and often that's enough to ensure that the final deal fully captures value for them. But from time to time dealmakers find themselves in complex negotiations with higher stakes. In those situations they require a much more robust approach. Just like business, political, and military leaders, negotiators need a strategic framework that illuminates the key choices they must make to achieve their ultimate objectives.

In the 30 years we've spent as advisers on hundreds of negotiations, ranging from agreements to resolve armed conflict to multibillion-dollar commercial deals, we have codified what makes negotiation strategies effective. Negotiators should start developing them well before the initiation of talks, but the process is dynamic and iterative and should continue until the final deal is inked—and in some cases beyond. With well-thought-out strategies, negotiators can suppress the urge to react to counterparts or to make preemptive moves that are based on fears about the other side's intentions. They'll be able to prepare for the worst but not trigger it—and to identify the actions most likely to have a significant impact on deal outcomes.

Here are the key strategic principles negotiators should apply to their next complex deal.

## RETHINK COUNTERPARTS

People tend to pursue deals with the obvious parties. If we're sellers, we search for a buyer; if we're borrowers, we search for a lender. But we often overlook many others in the ecosystem surrounding the negotiation: our competitors, suppliers, and customers—and their competitors, suppliers, and customers. We need an approach that encompasses all the parties that can and will help us fulfill our objectives.

To devise one, negotiators should answer the following questions:

**1.** *What business outcomes do we seek through this negotiation?*

**2.** *Who cares about those outcomes?*

**3.** *Who can do something to bring about those outcomes?*

**4.** *How can we engage, directly or indirectly, with parties that share some of our interest in achieving those outcomes?*

Consider how the holder of key patents necessary to play movies and music on DVDs sought to prevent low-cost manufacturers in China from infringing on its intellectual property (and competing unfairly with its duly licensed partners). Initially, it tried to negotiate with those manufacturers, but in most cases it was simply ignored. And even when the Chinese manufacturers were successfully challenged and subjected to a legal process, they would simply close shop and then reopen under a different name.

Working backward from the desired outcome (halting sales of infringing products in significant markets), the patent holder realized that although it couldn't dissuade manufacturers from making unlicensed DVD players, it could persuade large importers and distributors to stop buying and

> The vast majority of negotiators take the fundamental scope of a deal as a given, but there are often significant opportunities to change it and achieve much better results.

selling those products. By helping the importers and distributors recognize the infringement and intellectual property issues, the patent owner got them on the same side of what would otherwise have been a steep uphill negotiation with the unauthorized manufacturers.

## ANALYZE COUNTERPARTS' CONSTITUENCIES

In high-stakes negotiations, dealmakers tend to talk about how much power and leverage the other side has, what the other side will or won't agree to, and how to influence its behavior. While viewing counterparts as if they were one monolithic entity is convenient, that attitude regularly leads to analytical and strategic missteps. (In the realm of international diplomacy, negotiators have traditionally been somewhat more attuned to thinking about how to influence multiple constituencies when forging deals—be it with the Taliban or the old Soviet Union.)

For example, a customer might perceive itself to be at a disadvantage in a negotiation with an important supplier because it represents only a small piece of that supplier's overall business. A closer look, however, might reveal that it accounts for a fairly large percentage of the business at one of that supplier's plants or in a specific geographic market for a particular unit. Though the supplier's corporate leaders might view the customer as insignificant, the plant manager or unit head who depends on it would see it as critical. A corporation isn't one uniform organization; it's a federation of businesses. Most often, profits and losses are assessed not only at the enterprise level but by unit, geography, product, and plant. The authority to negotiate contracts is usually (though not always) delegated accordingly. Carefully parsing a counterpart's constituencies is essential to understanding negotiation leverage.

The supply chain team at a large hospitality and entertainment company took that lesson to heart in negotiations with major beverage suppliers. The team members recognized that bargaining with their sales counterparts over volume discounts would achieve limited value. It was only by broadening the discussion well beyond discounts and the purview of sales that they learned that other stakeholders within their suppliers had much more value to contribute. There were also opportunities to discuss promotional sponsorships at the entertainment company's venues and events, the strong relationships the beverage suppliers had with performers who could fill those venues, marketing events that the suppliers could host at the entertainment company's hospitality properties, and more.

## RETHINK THE DEAL'S SCOPE

The vast majority of negotiators take the fundamental scope of a deal as a given. They may consider a limited set of choices—for instance, shorter- versus longer-term deals—but by and large their tactics are guided by a comparison between their BATNA and how close to some preferred outcome they think they can get. As the entertainment company's example illustrates, however, there are often significant opportunities to change the scope of negotiations and achieve much better results.

**IDEA IN BRIEF**

**THE CHALLENGE**
*Negotiators often mainly react to the other side's moves. But for complex deals, a proactive approach is needed.*

**THE STRATEGY**
*Strategic negotiators look beyond their immediate counterpart for stakeholders who can influence the deal. They intentionally control the scope and timing of talks, search for novel sources of leverage, and seek connections across multiple deals.*

**THE PAYOFF**
*Tactical negotiating can lock parties into a zero-sum posture, in which the goal is to capture as much value from the other side as possible. Well-thought-out strategies suppress the urge to react to moves or to take preemptive action based on fears about the other side's intentions. They lead to deals that maximize value for both sides.*

NEGOTIATION

**ABOUT THE ART**

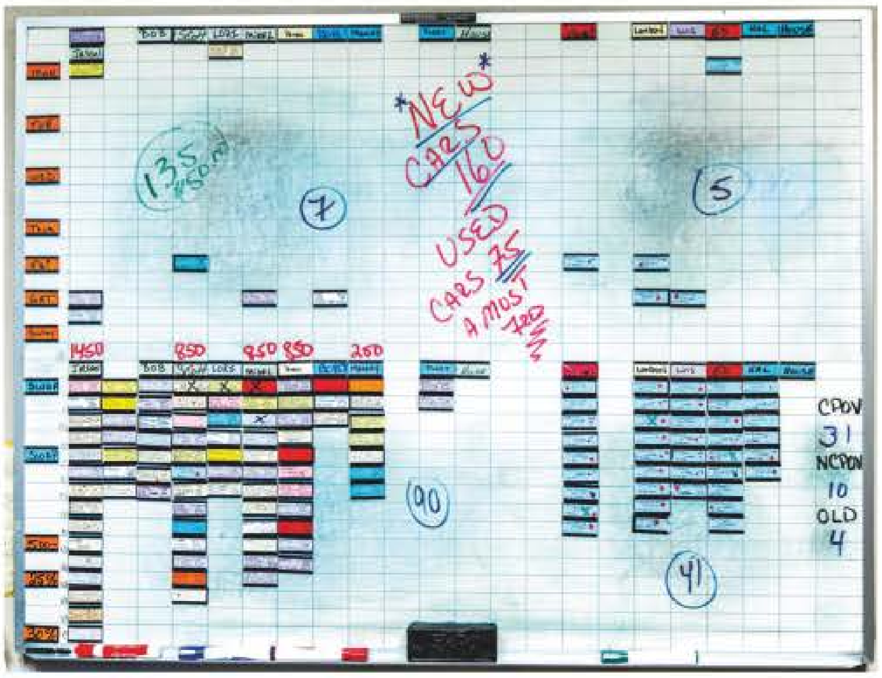
*Photographer Jeff Minton captured the salespeople at a car dealership in Levittown, New York, hustling to meet their monthly quotas.*

Consider a health care firm that was seeking to renegotiate the terms of a major supply contract with a pharmaceutical company. The health care firm needed much more manufacturing capacity from a major plant owned and operated by the pharma company. The pharma company was loath to offer more capacity than the original contract specified, because it anticipated needing to make more of its own products at the same facility in the future. Many creative options were explored, including shared capital investments to increase the plant's efficiency and output, altered financial terms, and the possibility of a "plant within a plant" operating model. Nonetheless, no solution appeared to meet both sides' needs.

However, when the scope of the negotiation was increased beyond altering the existing agreement, and both sides stepped back to reevaluate (and share information on) their respective global operations (including plans for building new plants) and growth objectives (and associated capital investment needs), they were able to reach an agreement. The new contract rebalanced production and supply across multiple plants and delivered substantially more value to both parties. The negotiators didn't expand just the pie; they expanded the entire menu.

Or take the financial services firm that was seeking to renew a contract with a company that owned proprietary data assets and was demanding a hefty price increase. An analysis of the annual report and earnings calls of the data company showed that it was focused on increasing revenue from other products and services—ones the financial services firm was purchasing from several other suppliers. While some of those current suppliers were highly valued partners, and it didn't make sense to contemplate shifting business away from them, in other cases the financial firm could give the data provider an increase in business in the areas it wanted to build. The firm's negotiating team offered to do that—but *only if* the provider agreed to more-reasonable terms on the data it enjoyed a de facto monopoly on.

It's worth noting how counterintuitive this approach is. When confronted with opposing parties who seem to have more leverage, the natural tendency is to look for ways to weaken that leverage—to find walkaway alternatives and issue threats. Such attempts often come up short or undermine deal success. The lesson here is to offer the other side




> Consider not only coercive leverage but also positive leverage—things you can uniquely offer to make the other side *desire* a deal rather than fear the absence of one.

new *opportunities* instead of focusing just on the needs that only it can meet for you.

Sometimes the right strategy is even to *reduce* the scope of the deal. A classic piece of negotiation advice is to carefully evaluate (and seek to improve) your BATNA. The problem is, in most high-stakes negotiations, there's really no viable alternative to some deal with the other party. Digging deeper into BATNA analysis is vital in such scenarios. The key is not to simply consider wholesale alternatives to any agreement with a powerful counterpart but rather to explore alternatives to some elements of what you're seeking through that deal.

Here's how that approach worked for a medical device company that felt powerless in its negotiations with a distributor that dominated an important regional market. No other distributor had comparable coverage in the region. After considering expanding the scope of the deal, the device maker instead opted to narrow it. It identified alternative distribution channels for some of its products in some segments of the regional market. Bringing its products to market with a portfolio of smaller distributors would have been prohibitively complex and would have increased costs and reduced revenue. But once the device maker had defined a strategy to narrow the scope of the deal with the incumbent distributor, the negotiations moved to a considerably more even footing.

In fact, the distributor stopped making demands and threats and became willing to engage in a collaborative process. The two sides jointly evaluated where it was especially costly for the distributor to service the device maker (business the distributor was actually happy to give up) and where it would have been most difficult for the device maker to move to alternative distributors. The narrower scope made the distributor willing to reduce some of its requirements (meant to cover the costs of distributing low-margin products in expensive-to-service segments). For the device maker, the cost of agreeing to much of what the distributor was requesting dropped significantly.

## RETHINK THE NATURE OF LEVERAGE

All too often dealmakers conflate negotiation power with a strong BATNA and the concomitant ability to hurt the other party. Essentially, the message they send is: We don't need a deal with you, and you need a deal with us, so we get to dictate the terms. Such a mindset leads to pressure tactics. It also makes negotiators who lack attractive walkaway alternatives conclude that they have no power, which in turn causes miscalculations and unwarranted concessions. Moreover, their sense of powerlessness can breed fear and resentment—negative emotions that hamper creative thinking about potential avenues to an optimal outcome.

The solution is think beyond walkaway alternatives and consider multiple sources of not only coercive leverage but also *positive* leverage. By positive leverage, we mean things negotiators can uniquely offer to make the other side *desire* a deal rather than fear the absence of one.

Many technology firms have IP teams that seek to persuade consumer electronics companies such as Apple, Sony, and LG to pay for licenses. The negotiation of IP rights in this market is dauntingly complex. Patent infringement is pervasive—though often unintentional. Legitimate efforts to collect royalties are vastly complicated by the well-known phenomenon of patent trolls. As a result, most IP licensing teams struggle to "move up in the queue" for simple *consideration* by underresourced in-licensing teams, who feel besieged by all the parties claiming the right to royalties—and offering little in return except an agreement not to sue.

The IP licensing team at one well-known tech firm had a strong claims portfolio and compelling market data about the rights that other companies were infringing. The team tried to be creative and flexible, offering to blend payments for past infringement, ongoing royalties, and cross-licenses. However, its BATNA—filing lawsuits against infringers that ignored it—wasn't strong, because the ability to enforce patent rights and collect damages had been hampered in recent years in many jurisdictions around the world. The firm didn't have a particularly good track record in court, either. To various consumer electronics companies, it made sense to rebuff the team's demands. And so they did.

By researching the business models and strategies of the electronics companies, the team was able to pinpoint which of its firm's patented technologies were complementary to important initiatives at each target licensee. Working with the firm's tech and sales departments, the team then defined value propositions showing each target licensee how it could use the firm's IP to generate new

> Think about success beyond the current deal and, in particular, how the precedents it sets will create anchors and shape dynamics in future negotiations.


products or revenue streams. One electronics company, for example, could leverage the tech firm's sound and imaging IP in elder-care offerings, and another could enhance its device with the firm's virtual reality expertise. Those opportunities made it worthwhile for the electronics companies to engage in meaningful negotiations with the team. Though this strategy required a lot of time and effort, the payoff was worth it.

## LOOK FOR LINKS ACROSS NEGOTIATIONS

Most negotiators focus exclusively on maximizing the value of the deal at hand. In doing so, they often undermine the success of future negotiations—their own and those of their colleagues. A strategic approach requires considering success beyond the current deal and, in particular, how the precedents it sets will create anchors and shape dynamics in future negotiations. After all, except with pure sales and purchases of assets, most high-stakes business negotiations are repeat transactions undertaken in the context of long-term relationships.

Analyzing links across multiple negotiations can unearth hidden forms of leverage. Consider the case of a global semiconductor company that felt continually squeezed by unreasonable price increases from OEM component suppliers. A major problem was that negotiations over initial licensing or codevelopment of technology for new products were conducted by one group, whereas subsequent contract negotiations (with the same suppliers, but occurring years

## HOW TO PRESSURE-TEST YOUR STRATEGY

One key to negotiation strategy is putting yourself in the shoes of your counterparts and truly understanding their motivations and likely actions. The best approach is to formally charter a team to analyze the negotiation from the other party's point of view—a so-called Red Team. (During the Cold War, Red Teams played the role of the Soviet Union in war-gaming simulations.)

Of course, most negotiation planning involves analyzing the goals and likely actions of the other side. In our experience, however, failures of imagination and inevitable human bias tend to limit and distort such efforts. Especially when the stakes are high and power imbalances create fear and resentment, strong emotions stunt thinking and warp rational analysis. We've also found that unless the Red Team includes senior or highly respected and influential members, the insights that can be drawn from war-gaming are often discounted.

In some cases, simulations might be done as part of strategy development and negotiation planning. But it's even more effective to do them throughout the negotiation process, having the Red Team revise its strategy as events unfold and using ongoing simulations to anticipate actions by the other side.

later) were handled by another group, with relatively little coordination between the two. Meanwhile, negotiations with those suppliers and other third parties for maintenance and repair services and spare parts were handled by yet another group, and all three kinds of negotiations occurred on different timetables.

By looking at these separate but related negotiations holistically, the semiconductor company was able to alter the power dynamics. Teams negotiating supply agreements acknowledged that they had little choice but to accept an incumbent supplier's pricing and terms but were able to point to upcoming product introductions and warn that unreasonable positions held now would most likely exclude suppliers from being considered for next-generation products—and all associated downstream revenue. They also shared data about maintenance and repair revenue streams and their growing ability to redirect such business to partners who demonstrated reasonableness and good faith.

Threats and promises about future business had been made in the past by the company's negotiators, but they weren't specific and lacked credibility. Now the benefits of increased cooperation and the potential loss of opportunities were tangible to suppliers—and hence persuasive.



### CONSIDER THE IMPACT OF TIMING AND SEQUENCING

Many people seek to speed up or slow down negotiations to put pressure on the other side and extract concessions. But pressure tactics often backfire. Careful consideration of how the other side is likely to respond should guide when to accelerate, slow down, or pause a negotiation.

Several years ago a small technology company was in negotiations to renew a critical deal with an internet behemoth. The small company depended a lot on the revenue the deal produced, and the thought of going without it for even a short time was frightening. Seeking to pressure the small firm, the behemoth showed little urgency to complete the deal and signaled that it wasn't sure the contract was worth renewing.

That turned out to be a major miscalculation. Recognizing that it could do little to get the other side to go faster, the small company's negotiation team decided to make use of the time to build support within the firm's ecosystem of customers and business partners for the possibility of partnering with one of the behemoth's giant competitors instead. That time was well spent. As such an alternative went from unimaginable to conceivable to plausible, the smaller firm's leverage grew. In the end the contract with the behemoth was renewed for a nine-figure value that represented a nearly five-fold increase over the expiring deal. While the passage of time did make the small firm nervous about its dwindling cash reserves, it also gave it the opportunity to substantially alter the landscape in which the negotiation took place.

Choreographing the sequence in which you address issues or engage different players is also important. Resolving some issues may reset the stakes or reframe the remainder of the negotiation.

A good example of strategically rethinking sequence in a negotiation comes from the oil and gas industry. As part of a joint venture deal with a national oil company, one large multinational had agreed that if a particular competitor wanted to add itself to the deal later, it could do so by paying its share of the capital plus interest for the time it hadn't participated. A few years later that second multinational indeed triggered its option and sought to open negotiations on the rate of interest. Instead of discussing how many points above or below LIBOR would be appropriate, the multinational



decided to go back to the oil company and negotiate what further terms should apply to the revised deal. The multinational proposed the principle that a later entrant shouldn't earn a higher rate of return than the original partners, who had taken a greater risk before the project had proved its value. The oil company readily agreed.

With that matter settled, the multinational turned to the new partner-to-be and demonstrated, using the recently audited books for the joint venture, that the interest owed by an incoming partner would have to be 60% a year, not anything like LIBOR. After some initial shock, the incoming partner agreed.

Five questions can help negotiators strategically manage timing and sequencing:

**1.** *What changes in the external marketplace might increase or decrease the value or importance of the deal for each party?*

**2.** *To what extent can we use additional time to strengthen our walkaway alternatives?*

**3.** *To what extent can the other side use additional time to strengthen its walkaway alternatives?*

**4.** *How might deals negotiated with other parties affect the scope of the negotiation or create precedents that influence the way we resolve key issues?*

**5.** *What events or changes in the external marketplace might adversely affect the strength of our walkaway alternatives—and the other side's—or create mutually beneficial opportunities?*

## BE CREATIVE ABOUT THE PROCESS AND FRAMING

When approaching a high-stakes deal with a powerful counterpart, many negotiators debate whether to start by issuing their own proposal or by asking the other side to do so. They also often wonder whether they should project strength by asking for aggressive terms in their first offer or counteroffer, or signal a desire for a win-win outcome through more-balanced and reasonable terms. But such binary thinking blinds us to the many ways we might shape the negotiation process to reduce risk and increase the likelihood of a great outcome.

Let's look at a global health care company that depended on a single supplier to make one of its biggest revenue-generating products. The supplier held numerous patents essential to the manufacturing process, so switching to a different one would have taken years and major investments in redesign. But for many years the supplier had been unwilling to collaborate on improving quality and manufacturing efficiency. As the contract with it neared expiration, the health care company pondered how to open the negotiation for a renewal. Should it demand big price reductions and other improvements? Or should it begin with more-reasonable terms and hope that the supplier responded in kind?

After much debate about the trade-offs, the health care company developed a third approach. Rather than beginning by sending an initial term sheet, it invited the supplier to a prenegotiation summit—a joint discussion of what had worked well, and what hadn't, for each side under the prior contract and of how the market and each side's business objectives had changed. This was deemed a low-risk move. The supplier might well decline the offer, but so what? The health care company's negotiation team would then simply revert to sending an opening term sheet.

| A Reactive Approach to Negotiations | A Strategic Approach to Negotiations |
|---|---|
| Focus on the deal terms | Focus on shaping the negotiation context and process |
| Look for ways to get the maximum share of deal value | Consider if and how to significantly alter the scope of the deal |
| Engage with all stake-holders at the counterpart as if they're aligned | Consider different constituencies within the counterpart and how their divergence or alignment may affect the negotiation |
| Respond to the other side's actions | Anticipate and influence the other side's actions |
| Maximize pressure on the other side | Employ both positive and (when necessary) coercive leverage |
| Treat every negotiation as discrete | Analyze and leverage connections across negotiations |

**A strategic negotiation approach involves more than choosing a cooperative or competitive posture, and thinking in such binary terms is almost always counterproductive.**



To the surprise of some on the team, the supplier accepted the invitation. During the summit the health care company's team shared an analysis of the economics and evolving market position of the company's product. It showed that unless the product's price fell significantly, new competitive offerings would take substantial market share away from it. That would reduce not only the health care company's revenue but also the supplier's. The analysis triggered an animated discussion focused not on bargaining but on joint problem-solving. That in turn led to thinking about how to creatively restructure the way the companies worked together and to a set of principles for negotiating commercial terms in the new contract, including a framework for sharing risks and rewards. The ultimate deal saved the manufacturer tens of millions of dollars but was viewed by the supplier as more favorable than the earlier contract. Both sides agreed that a traditional "offer-counteroffer" negotiation process would at best have yielded a significantly less valuable deal for both—and could easily have resulted in no deal at all.

HIGH-STAKES NEGOTIATIONS TEND to produce a lot of anxiety. This leads dealmakers to focus on (perceived) threats rather than identify all possible forms of leverage and think expansively about options. When that happens, negotiators are more likely to make poor tactical choices, either giving in to pressure from the other side or inadvertently causing their own worst fears to come to pass.

A strategic negotiation approach involves more than choosing a cooperative or competitive posture, and thinking in such binary terms is almost always counterproductive. Assessing connections between one negotiation and others with the same party over time (and even with other parties), taking a hard look at whether they're negotiating about the right things, and focusing on when and how to most effectively engage with the other side will unlock far more value for dealmakers.

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CHANGE MANAGEMENT

# Harnessing Everyday Genius

## How Michelin gives its frontline teams the power to make a difference


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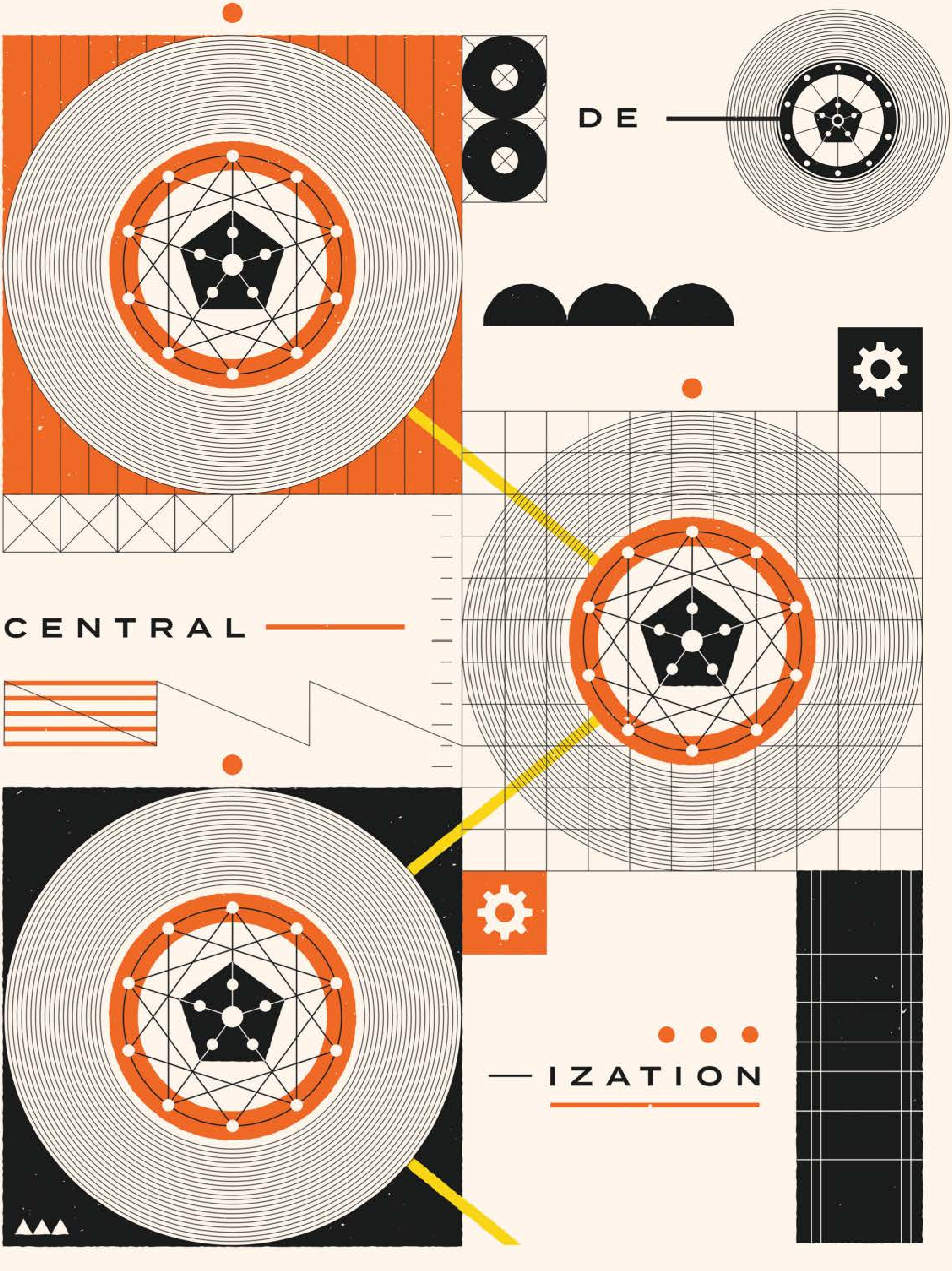
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CENTRAL
IZATION

The loss of "good jobs" in the U.S. economy and elsewhere has inspired a slew of proposals, including mandatory labor representation on corporate boards, benefits for gig economy workers, tax breaks for investments in human capital, and a minimum guaranteed income. While some of these ideas have merit, they don't address what we believe is the root of the problem: the widespread assumption that low-wage jobs are filled by minimally capable people—a prejudice that has denied millions of employees the opportunity to enhance their skills and exercise their minds.

The view of employees as semiprogrammable machines goes back to the early decades of the Industrial Revolution, when most workers were poorly educated. It was reinforced by Frederick Taylor in 1911, when he published *The Principles of Scientific Management,* in which he described the typical laborer as "so stupid that the term 'percentage' has no meaning to him." The solution, said Taylor, was to strip judgment from frontline jobs: "It is only through *enforced* standardization of methods, *enforced* adoption of the best implements and working conditions, and *enforced* cooperation that… faster work can be assured." And who was to do the enforcing? Professionally trained managers, of course.

Taylor's model of industrial bureaucracy set up a caste system of thinkers and doers that persists to this day. Although the total quality management and *kaizen* movements both emphasized employee empowerment, the basic bureaucratic approach still dominates. A 2019 Gallup survey found that only one in five U.S. employees strongly agreed with the statement "My opinions seem to count at work" and fewer than one in 10 with the statement "I take risks at my job that could lead to new products or solutions." In the 2015 American Working Conditions Survey, just 11% of frontline U.S. employees said they were consistently able to influence decisions important to their work. Meanwhile, our analysis of Bureau of Labor Statistics data shows that 70% of U.S. employees are in jobs deemed to require little or no originality.

Though today's employees are far better educated than their early-20th-century forebears, the distinction between managers and employees—the clever and the compliant—is still deeply entrenched. As a result, a vast reservoir of human ingenuity is going untapped. That depresses the performance of individual firms and the economy overall.

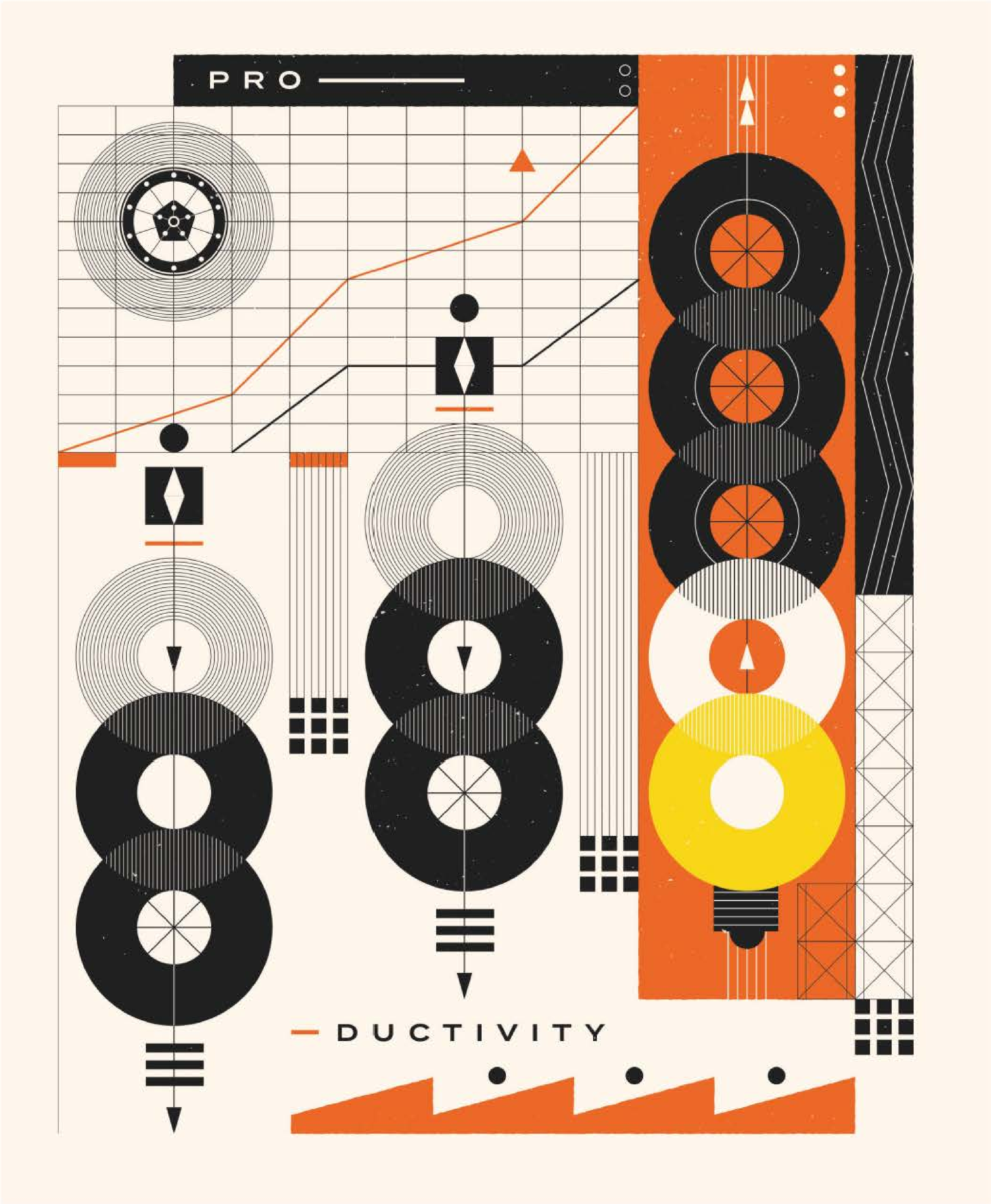
Yet a growing band of organizations around the world have freed their employees from the yoke of bureaucratic control. These companies significantly outperform their peers. They include Nucor (America's preeminent steelmaker),

**IDEA IN BRIEF**

**THE PROBLEM**
*The number of "good jobs" in the United States and other countries is declining despite sustained government and policy efforts.*

**WHY IT HAPPENS**
*There is a widespread assumption that low-wage jobs are filled with minimally capable people—a prejudice that has denied millions of employees the opportunity to enhance their skills and use their brains.*

**THE SOLUTION**
*Companies like Michelin have challenged that mindset and dramatically increased the authority and accountability of workers on the front lines. Michelin kick-started this change through a bottom-up process involving targeted experiments in select plants and eventually scaled up the most successful approaches across the organization.*


PRO
—DUCTIVITY

Buurtzorg (the Dutch home-health-care provider), and Svenska Handelsbanken (the Swedish bank). These champions of empowerment pay better-than-average wages—not because they're exceptionally generous but because their employees create exceptional value. They share a deep belief that "ordinary" employees, when given the chance to learn, grow, and contribute, are capable of extraordinary accomplishments. That conviction, when consistently acted upon, produces a workforce that's deeply knowledgeable, relentlessly inventive, and ardently focused on the customer.

The question is, why haven't more organizations followed suit? Even the best-intentioned CEOs have found themselves watching helplessly as their companies' top-heavy management structures squeeze the enthusiasm and originality out of employees. For instance, near the end of his tenure as co-CEO of SAP, Jim Hagemann Snabe discovered that the German software giant had amassed more than 50,000 KPIs (key performance indicators) covering every job in the company. He was horrified. "We were trying to run the company by remote control," he recalls. "We had all this amazing talent, but we had asked them to put their brains on ice."

In this article we offer a path out of the bureaucratic trap, drawing on the example of the tire manufacturer Michelin. The company has been challenging many of the unspoken norms that characterize France's notoriously hierarchical corporate giants, whose shop floors are known more for militant protests than for constructive engagement with management. Since 2012, under the banner of *responsabilisation* (French for "empowerment"), Michelin has dramatically increased the authority and accountability of its frontline workers, reversing the centralization that has characterized the automobile sector for five decades. In early 2020 the *responsabilisation* program was on course to deliver half a billion dollars' worth of manufacturing improvements, prompting Jean-Dominique Senard, Michelin's CEO from 2012 to 2019, to proclaim it one of his "proudest achievements."

## HOW THE JOURNEY BEGAN

The idea for *responsabilisation* was born out of frustration. In the mid-2000s, the tire maker had launched the Michelin Manufacturing Way (MMW), a corporatewide program to improve productivity through standardized processes, tools, dashboards, and performance audits. It wasn't alone: Car companies and their suppliers across the world, increasingly obsessed with control, were also standardizing processes.

But as MMW was rolled out, factory leaders raised concerns that it was crowding out local initiative and creativity. It also seemed at odds with a company value set forth by cofounder Édouard Michelin: "One of our principles is to give responsibility to the person who carries out a given task, because he knows a lot about it." Jean-Michel Guillon, then the head of Michelin's personnel department, mused to a colleague, "Are we at risk of losing our soul?"

By 2010 the standardization efforts were producing diminishing returns. At the same time, shorter product cycles, new competitors, and the growth of services were pressuring Michelin to become more creative and flexible. Looking for a way forward, Guillon hosted a workshop in early 2012. Though the 20 participants failed to come up with a new plan, they agreed that frontline teams needed more autonomy to pursue their own goals and improve local operations.

One of the workshop's most vocal participants was Bertrand Ballarin, the manager of Michelin's Shanghai plant. In a company known for long tenures, Ballarin was an exception—he had spent three decades as an officer in the French army before joining Michelin, in 2003. Nevertheless, he'd soon earned a reputation for rescuing underperforming factories. At each one, Ballarin had developed a sense of shared purpose, upgraded workers' skills, and given production teams more freedom. Many of his hard-nosed peers viewed his approach with skepticism. As Ballarin would later joke, they considered it "as useful as poetry."

A few weeks later, Guillon invited Ballarin to join the personnel department as head of industrial relations. Eager to broaden his impact, Ballarin quickly accepted. He felt that Michelin, like other companies, "had been organizing work with an exceedingly narrow view of human beings. We had assumed that people would exert effort only if closely supervised or motivated by pay. As a result, people in our factories were using only a fraction of their capacities." The solution,

**EMPOWERMENT IN PRACTICE: NUCOR**

**At America's leading steelmaker, operating crews take responsibility for business development, capital planning, product innovation, process improvement, and cross-plant coordination. Every worker is trained in the economics of steel, and generous bonuses reward teams for boosting capital efficiency. Overhead is low: Though Nucor has $22 billion in revenue, its head office houses only about 100 employees—a fraction of the headquarters staff of most firms its size—and at 3% of revenue, its G&A expenses are roughly half those of its peers. Its return on capital exceeds industry norms by 50%, and its revenue per employee is three times the industry average.**

he believed, was *responsabilisation*, and by the summer of 2012, Ballarin had sketched out a bottom-up initiative to promote it, which he labeled MAPP, the French acronym for "autonomous management of performance and progress."

The first step would be to recruit volunteers—supervisors and operating teams willing to pilot the new approach.

STEP 1

## LAUNCHING THE MOVEMENT

Ballarin toured the factories, making his pitch to local managers and teams. Among the first to sign on was the assembly crew in the Le Puy tractor-tire plant. "When I started at the company, I noticed a lot of expertise on the shop floor being wasted," explained Olivier Duplain, a team leader there. "I saw the project as a very interesting opportunity, and when I suggested this to the team, everyone agreed." By October 2012, Ballarin had recruited 38 teams, comprising 1,500 people (about 1% of the company's head count), from 17 plants.

The next few months were hectic. At each of the 17 factories Ballarin held kickoff meetings, where he reminded plant leaders that the point of the exercise was for teams to discover the solution. "The only help they need from you," he warned, "is to encourage them to be bolder and more creative."

Ballarin also walked each team through the mission of *responsabilisation*. The focus was on the what, not the how. Team leaders were encouraged to let go and shift their role from "deciding" to "enabling." To get the ball rolling, they could ask their teams two questions: "What decisions could you make without my help?" and "What problems could you solve without the involvement of support staff like maintenance, quality, or industrial engineering?"

The workers were encouraged to initially focus on expanding their autonomy in just one or two key areas. Teams were given 11 areas to choose from and asked to document their progress through notes and videos.

Things advanced slowly at first, but by March 2013 experiments were ramping up. The tipping point, says Ballarin, came when the teams figured out that no one was going to stop them. The experience of two teams, in Le Puy and Homburg, were typical.

**Le Puy.** Standing in front of his 40-person team, Duplain introduced *responsabilisation* with a question: "What do I do today that you can imagine taking over tomorrow?" The answer surprised him: The workers had no idea what he did after he stopped by each morning for equipment checks and reviews. (Some even suggested that he just hung out in the café.) He realized he was unfamiliar with the specifics of their jobs, too. So they struck a deal: He would work a few shifts side-by-side with the team, and then three of his subordinates, one from each shift, would shadow him for a week to identify where workers could expand their responsibilities.

Shift scheduling was the first duty the workers took on. Duplain gave them a few basic constraints, such as ensuring that every shift included operators with the requisite mix of

## The Path to Empowerment

Redistributing authority isn't easy, but it can be done. Michelin's journey laid out a road map that others can follow:

**1. Begin at the bottom.** Build early momentum with those who have the most to gain from greater autonomy—frontline teams. Starting here avoids head-on battles with senior managers who aren't yet ready to share power.

**2. Make it voluntary.** Nothing is more likely to kill a new idea than an order, so invite teams to participate. You don't need every team on board at the outset, just a representative sample.

**3. Encourage discovery.** Give teams a lot of freedom to explore the best ways to expand their responsibilities. Being overly prescriptive in the early stages chokes off opportunities to learn.

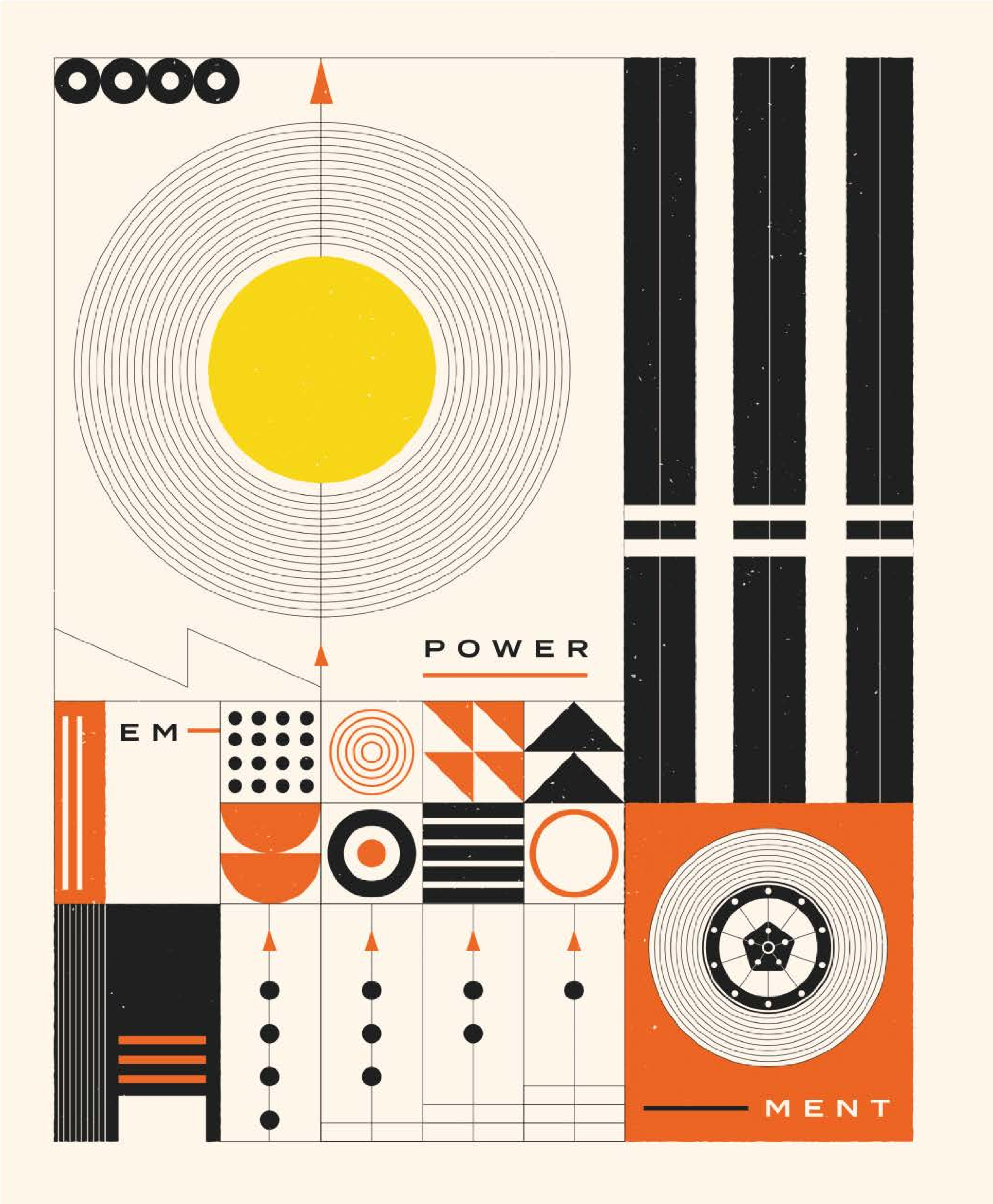
**4. Keep your commitments.** Don't ask for relief from near-term goals or for extra budget. Doing so gives others the chance to block your progress.

**5. Upgrade skills.** New responsibilities often require new capabilities. Be creative in helping teams get the training and information they need to add more value.

**6. Be patient.** Human potential takes time to grow. Before trying to scale up, let teams cultivate their skills, gain confidence, and produce positive results.

**7. Work for win-wins.** Managers need to believe that handing over power will make their jobs better too. Most people would rather be mentors than micromanagers, and while positional power is zero-sum, influence is not.

If you're not ready to launch a companywide campaign yet, you can start by testing the power of everyday genius within your own team. Ask your people, "What decisions could you make without my help?" and "What am I doing that feels like interference and adds no value?" Depending on their answers and your own judgment, you can invite your team to take on new and more-challenging roles.


POWER
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CHANGE MANAGEMENT

skills, and then stepped out of the process. One of the team's early decisions was to reassign long-serving colleagues from night shifts to daytime ones. Another was to give colleagues more flexibility in switching shifts. After this taste of autonomy, the team set out to take over production planning. Within a few weeks, it was fully effective at this task—much to the surprise of Le Puy's planning engineers.

**Homburg.** The Homburg pilot team produced components such as steel cord and bead wire. Having struggled with workflow issues, it chose to focus first on improving internal coordination. Historically, the team's daily production targets had been set by the plant's engineering group. Recently, though, the introduction of a new and finicky assembly machine had complicated efforts to meet internal customers' needs. Sometimes the team produced too much material and sometimes too little. Planning engineers had been working for months to iron things out, with little success.

After studying the problem for several weeks, the team set up a direct communication channel with the downstream assembly team. At the beginning and end of each shift, representatives of the two teams would meet for 15 minutes to discuss equipment issues and coordinate production timing. This simple fix reduced downtime from two hours a day to nil.

According to Ballarin, the Homburg experience provided a powerful lesson about the limits to central planning: "The engineering team can't anticipate every issue. If you allow people to self-regulate and build the competence to do this successfully, you solve problems much more efficiently."

Like their colleagues in Le Puy, Homburg team members looked for other areas where they could be self-directed. Gradually, they took over managing attendance and set up a WhatsApp group to facilitate real-time staffing decisions.

**STEP 2**

## CONVERGING ON A SHARED VIEW

During the first half of 2013, the *responsabilisation* teams worked independently, but in the summer, Ballarin began connecting them with the help of Olivier Marsal, an enterprising manager in Michelin's manufacturing function. The pair began hosting monthly phone conferences and set up an online space, MAPPEDIA, where teams could share findings and address common problems. Ballarin also ran a series of three-day workshops, at which teams shared videos about their experiments and then worked to define the signature practices of an autonomous team. To get things started, each team filled out a card answering four questions about its experience with *responsabilisation*:

- What specifically changed?
- How did this compare with existing practices?
- Why was this change important?
- What were the critical enablers (for example, new skills or information)?

The insights from the workshops clustered into six categories—developing a shared mission and objectives, organizing work, developing competencies, driving innovation, coordinating with others, and managing performance—which became the foundation of a framework for new teams joining the *responsabilisation* journey. Critically, it was not a theoretical construct produced by HR staffers or consultants but a detailed menu of what actually worked on the ground.

By the end of the year, the effects on productivity and engagement were remarkable. The Homburg team, for instance, had seen defects on some popular tires decline from 7% of units produced to 1.5%, while productivity increased by 10% and absenteeism dropped from 5% to virtually zero. Teams in other plants reported similar gains.

**STEP 3**

## SCALING UP

With the pilot teams delivering encouraging results, Ballarin and Marsal aimed higher, wangling their way onto the agenda of a December 2013 senior leadership meeting. After playing

### EMPOWERMENT IN PRACTICE: BUURTZORG

**The leading Dutch provider of home health services is organized into more than 900 self-managing teams of 12 nurses. Every team is given a territory with a population of about 10,000 and is responsible for finding clients, renting space, recruiting, budgets, scheduling, and constantly improving the quality and efficiency of care. Each team has a "housekeeper and treasurer," a "performance monitor," a "planner," a "developer," and a "mentor"—part-time roles filled by nurses who spend most of their day working with patients. Buurtzorg trains all employees in group decision-making, active listening, conflict resolution, and peer-to-peer coaching. Administrative personnel include just 36 regional and head-office coaches, 50 back-office employees (mostly in IT), and two directors, including founder Jos de Blok. The organization's overhead costs are 68% lower than the average in its peer group. Meanwhile, its staff turnover is half that of similar providers, and its patient satisfaction is 30% higher.**

a selection of the teams' videos, Ballarin summarized the performance gains and noted the rising engagement scores. Then came the big ask: He wanted to test *responsabilisation* at the full plant level—which would challenge plant leaders and support functions to redefine their roles. Even more contentious, the corporate staff groups would have to cede some decision rights to the plants involved.

Executives were enthusiastic and eager to learn more about the pilots. Florent Menegaux, who would succeed Senard as CEO in 2019, exclaimed, "We have a chance to be the company we've always aspired to be." Hoping for permission to test *responsabilisation* in two factories, Ballarin left the meeting with the go-ahead to scale up in six. Guillon and Terry Gettys, Michelin's R&D head, volunteered to become advisers for the next stage of experimentation.

Once again, Ballarin set off in search of recruits. Eighteen plant leaders raised their hands, and six factories were chosen to maximize geographic and business diversity—in Ireland, Canada, the United States, Germany, Poland, and France.

In the spring of 2014 representatives from each factory, including plant managers and function leads, came to headquarters for a three-day orientation. They were briefed on the pilot teams' work and reviewed the practices cataloged in MAPPEDIA. Plants were told to adopt whatever solutions worked in their context, and in a departure from other corporate initiatives, there would be no top-down guidelines or monthly reviews. The plants would, however, be able to draw support from a new team comprising former plant leaders and specialists who had codified the learning from the pilots.

During the summer and autumn of 2014, the test plants fleshed out their plans. Le Puy invited employees to a day-long brainstorming session on how to turn the factory into a model of empowerment. The event generated more than 900 ideas, which were subsequently grouped into 13 priority areas, including cross-team coordination, multiskilling, collegial decision-making, and taking the lead on quality and safety. For each priority, a small team of frontline operators, managers, and support staff was assigned to convert the most promising ideas into practical experiments.

The Polish plant, in Olsztyn, held an opening event with 200 team members. Over two days the group drafted a set of *responsabilisation* goals, such as delegating daily production planning, involving workers in recruitment, and changing compensation criteria. As in Le Puy, cross-functional teams formed around each to develop and test specific ideas. In a significant twist, the launch team identified "trust" as the key word for its experiments. As plant manager Jaroslaw Michalak explained, "We used to operate with the implicit assumption that operators weren't trustworthy, and that trust must be earned. We now start by completely trusting everyone, and it's up to the individual to lose trust based on his or her actions. It sounds like a trivial shift in perspective, but it's had a big impact."

STEP 4

## REDEFINING BOUNDARIES AND ROLES

In the test plants, frontline employees began playing bigger roles in areas such as safety, quality, and scheduling and even participating in high-level planning meetings. For the first time they weighed in on decisions about plant design, capital programs, staffing levels, and yearly targets.

As their responsibilities grew, the factory workers asked for more information. "We can't expect operators to make the right decisions, to have good business judgment, without the proper information," Michalak noted. "Previously, frontline workers had no idea where the tires they were producing were going and how much it cost to get them out the door. Now they have as much information as we do."

The plants also invested in building workers' skills. In Homburg the maintenance, quality, and engineering functions created training programs for operators. Maintenance, for example, set up a room with equipment and spare parts where operators could practice repairing machines. Other plants, like Olsztyn and Greenville, South Carolina, launched courses to sharpen operators' business acumen.

As production teams began to exercise greater autonomy, managers at the test plants worked to redefine their roles.

### EMPOWERMENT IN PRACTICE: SVENSKA HANDELSBANKEN

**This European bank treats every one of its more than 750 branches like a stand-alone business. Branch teams—typically eight to 10 employees—are responsible for credit decisions, loan rates, deposits, customer communications, and staffing levels. In any year that the bank's return on equity exceeds the average of its peer group, one-third of the difference is put into an employee profit-sharing program that invests in the bank's stock. Each person gets an equal share of it, regardless of rank. Through the program, the employees are indirectly the bank's largest owner. Thanks largely to a well-below-average cost-income ratio, Handelsbanken has outperformed its European peers on return on equity in each of the past 48 years.**

Each factory developed training programs on topics like emotional intelligence and "leading from behind." In Greenville and Le Puy, managers met every few weeks to share learning. What had they tried? What worked and what didn't? That peer support helped them transition from boss to mentor.

A few plant executives also off-loaded some of their responsibilities. At Olsztyn, the decision to clear products for shipment moved from the department manager to a team leader. At Le Puy, plant manager Laurent Carpentier let go of budgeting, production planning, equipment selection, and customer relationship management. "I have hands-on responsibility for safety and major personnel issues, but for everything else, it's up to the teams to propose and drive solutions," he explained. "Everyone," said team leader Duplain, "leveled up."

In a win-win, frontline empowerment freed managers to focus on more-rewarding work, such as building team skills and resource planning. A team leader summarized how it had changed his role: "It went from my solving their problems, and probably not solving them in the best way, to the experts solving the problems right there and then."

**STEP 5**

## RENEGOTIATING RELATIONSHIPS WITH HQ

Michelin's plants traditionally depended on central functions to set standards, define processes, and hand out production quotas. It was clear to Ballarin that unless factories could start managing those tasks themselves, *responsabilisation* would stall out. Wresting authority from central functions was a challenge, yet several plants made progress—none more than Olsztyn. The key, local managers realized, was to win permission for a targeted experiment and then use the results to push for more autonomy.

The first experiment in the Polish plant concerned monthly production targets. Olsztyn invited representatives from the central planning function to a daylong workshop, at which local team members argued that they were better positioned to set the targets because they had closer relationships with customers and would know first about shifts in demand.

The central staffers agreed to a monthlong test. It was a clear success, and in time headquarters delegated target setting to all plants. Through similar experiments, the Olsztyn plant gradually took over quality audits and decisions on major capital purchases such as tire molds. For the first time in decades, central control shrank instead of growing.

## AN IRREVERSIBLE MOVEMENT

At the end of 2016, Ballarin, together with the head of manufacturing and members of the MAPP team, visited each of the test plants to gauge progress. While results were



uneven, *responsabilisation* had not only boosted Homburg's productivity by 10% but enabled the plant to expand its workforce by a third without hiring additional managers or professional staff. Le Puy and Olsztyn reported similar improvements, and soon additional plants were lobbying to join the trailblazers.

The ripples of MAPP have now spread beyond manufacturing. A major reorganization in 2018, developed by 70 cross-unit teams with little executive input, further decentralized decision-making. In a sign that *responsabilisation* is here to stay, Menegaux has declared empowerment to be a new company hallmark. "We're too big and too global," he argues, "to not rely on the skills of everyone across the company."

Unlike most top-down initiatives, the *responsabilisation* program kept early objectives broad and the means purposefully vague. The goal was to build commitment rather than force the adoption of specific protocols. Ballarin and his team understood that real change happens through persuasion and persistence, not mandates and metrics. They realized they didn't have the on-the-ground experience to envision all the things they would need to change in frontline work. Instead, they relied on the pilot teams to discover and map the many dimensions of the *responsabilisation* journey.

## THE CASE FOR RADICAL EMPOWERMENT

A big part of what makes jobs unattractive is the perceived lack of opportunities for personal growth and individual contribution. Companies like Michelin show what can be achieved when an organization has faith in the potential of its people and is prepared to invest in their skills and reward their contributions. This workplace alchemy—turning dead-end jobs into get-ahead jobs—doesn't require new legislation or billions of dollars in public spending. It just takes commitment to building organizations that kindle the spark of everyday genius in each human being.

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PSYCHOLOGY

PHOTOGRAPHER
ADAM VOORHES

# Sarcasm, Self-Deprecation, and Inside Jokes: A User's Guide to Humor at Work


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PSYCHOLOGY

# A few years ago,

we conducted a research study in which we asked people to help us create an ad campaign for a travel service called VisitSwitzerland.ch (which we'd made up). We put the participants into small groups and showed them a photo—a Swiss landscape of a lake, a mountain, and the country's distinctive flag with its white plus sign against a red background—accompanied by the question: "What made you fall in love with Switzerland?" We gave participants three minutes to come up with a memorable answer and then had them share their ideas with their groups.

In each presentation, we had two people (who were working with us) share first, using scripts we'd written for them. The first presenter offered a straightforward statement extolling Switzerland: "The country is beautiful. The scenery is truly breathtaking!" The second presenter alternated his approach. In half the presentations he said, "The mountains are great for skiing and hiking! It's amazing!" In the other half, he added a pun: "The mountains are great for skiing and hiking, and the flag is a big plus! Seriously, it's amazing!"

Admittedly, that isn't the world's funniest joke. But we used it to test a simple question: Can one joke make a meaningful difference in how people are viewed by others? In our study, the answer was unequivocally yes. Participants who heard the second presenter make the joke rated him as more confident and more competent than those who heard his joke-free delivery. The jokey presenter was also more likely to be voted as the leader for subsequent group tasks. That's not a bad payoff for one barely funny attempt at humor.

This finding may not be surprising—many of us intuit that humor matters. Ask your colleagues what characteristics they value in a friend or a romantic partner, and they are likely to tell you (among other things), "a sense of humor," "someone who makes me laugh," or "someone who laughs at my jokes." But ask the same people what traits they value in a leader, and odds are that humor will not top the list. We tend to view humor as an ancillary leadership behavior.

In fact, it's a powerful tool that some people use instinctively but more could wield purposefully. One good laugh—or better still, a workplace culture that encourages levity—facilitates interpersonal communication and builds social cohesion. Analysis of large sets of workplace communications suggests that humor occurs in at least 10% of emails and is slightly more likely to be used by leaders in face-to-face interactions. But these numbers can (and should) be larger. Research by us and others has shown that humor can influence and reinforce status hierarchies in groups, build interpersonal trust and high-quality work relationships, and fundamentally shape the way people perceive one another's confidence, competence, warmth, and clarity of

**IDEA IN BRIEF**

THE PROBLEM

*Humor is widely considered essential in personal relationships, but in leaders, it's seen as an ancillary behavior. Though some leaders use humor instinctively, many more could wield it purposefully.*

THE BENEFITS

*Humor helps build interpersonal trust and high-quality work relationships and influences behaviors and attitudes that matter to leadership effectiveness, including employee performance, job satisfaction, organizational commitment, and creativity.*

THE BALANCE

*These benefits don't come without potential costs. The guidelines in this article suggest ways to capture the benefits of humor while avoiding the downside risks.*

One good laugh—or better still, a workplace culture that encourages levity—facilitates interpersonal communication and builds social cohesion.

communication. It also influences critical behaviors and attitudes that matter to leadership effectiveness, including employee job performance, job satisfaction, organizational commitment, citizenship behaviors, creativity, psychological safety in groups, and desire to interact again in the future.

However, jokes that fall flat (they're not funny, or no one laughs) or are offensive (they're viewed as inappropriate for the context) can harm professional standing by making a joke teller appear less intelligent and less competent. They can lower status and in extreme cases cost people their jobs.

In this article, we offer guidance on how to use specific types of humor to become a more effective leader—and how to avoid being the cautionary tale at your company's next HR training seminar.

## HUMOR CAN ENHANCE (OR HURT) STATUS

Humor and laughter are intricately tied to status and power. People in lower ranks who wield them well can climb the status hierarchy in their departments and organizations. As we saw in the Swiss advertising study (conducted with our colleague Maurice Schweitzer of the Wharton School), individuals who make funny and appropriate jokes are more likely to be nominated for leadership positions by their peers. In the same research project, we ran an experiment in which we asked people to recall moments when a colleague was funny. We found the link between humor and status to be so powerful that merely prompting individuals to recall a humorous exchange with a coworker shifted their perceptions of the coworker's status.

Humor not only helps individuals ascend to positions of authority but also helps them lead more effectively once they are there. Professors Cecily Cooper (University of Miami), Tony Kong (University of South Florida), and Craig Crossley (University of Central Florida) found that when leaders used humor as an interpersonal tool, their employees were happier, which fostered better communication and resulted in an uptick in citizenship behaviors—voluntary actions that facilitate organizational effectiveness. That is, when leaders used humor, their employees were more likely to go above and beyond the call of duty.

Why is humor so powerful? In a study to understand what makes things funny, researchers Caleb Warren (University of Arizona) and Peter McGraw (University of Colorado at Boulder) found that humor most often occurs when something is perceived as a benign violation. They conducted studies in which participants were presented with scenarios depicting someone doing something that was benign (for example, a pole-vaulter successfully completing a jump), a violation (a pole-vaulter failing a jump and getting seriously injured), or both (a pole-vaulter failing a jump but not getting seriously injured). Participants who saw the third kind of scenario (simultaneously a violation and benign) were more likely to laugh than those who saw the scenarios that were either strictly benign or strictly violations. Things strike us as funny, the researchers concluded, when they make us uncomfortable but do so in a way that is acceptable or not overly threatening.

Because telling jokes that violate our psychological safety can be seen as risky, it can make people appear more confident and more competent. In one of our studies, we found that regardless of whether a joke was considered successful or inappropriate, participants viewed joke tellers as more confident—because they had the courage to attempt a joke at all. Projecting confidence in this way leads to higher status (provided the audience has no information that suggests a lack of competence). We also found that people who violate expectations and norms in a socially appropriate way are seen as more competent and more intelligent. This finding confirms our feelings about funny conversationalists: We admire and respect their wit, which raises their prestige.

But the violating nature of humor is also what makes it risky. Jokes that go too far over the line of appropriateness have the opposite effect—an "eeeek" reaction. Rather than thinking that the joke teller is intelligent and competent, observers think, *What an idiot* or *I can't believe he just said that.* Although tellers of inappropriate jokes are still seen as confident, the low competence signaled by unsuccessful attempts at humor can lead to a loss of status. In fact, our research confirms that failed humor is quite costly for leaders, making them even worse off than serious, humorless leaders who don't attempt jokes at all. Finding the balance between a benign violation and an extreme violation can be tricky—even professional comedians routinely face criticism for overstepping—and it takes skill to get it right.

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## CONTEXT MATTERS

When we converse with others, we need to balance multiple motives simultaneously. We may aim to exchange information clearly and accurately, make a positive impression on one another, navigate conflict, have fun, and so on. The degree to which each motive is viewed as normative and socially acceptable varies from setting to setting. That's why context is so important when it comes to humor. It's probably safer to tell your funny story about the horrible hotel service you experienced abroad to your friends at a dinner party (where the normative motive is enjoyment) than to a border patrol agent as you are reentering the country (where the normative motive is information exchange). A certain joke may work dazzlingly well with one group of people but completely flop with another—or even with the same group in a different context. And although jokes generally function as (well-intended) social glue, they may have the opposite effect if they're perceived as thinly veiled brags or as insulting to specific people or ideas.

Here are ways to capture the benefits of humor while avoiding the contextual risks.

**When to use inside jokes.** This form of humor happens anytime an outsider doesn't have the background information needed to get the joke. Inside jokes are extremely common—our data suggests that almost everyone has engaged in or witnessed one. But how does insider talk, especially inside jokes, affect the dynamics within a group?

In collaboration with Ovul Sezer (University of North Carolina), Maurice Schweitzer, and Michael Norton (Harvard Business School), we conducted a study to understand those effects. We asked people to engage in a brainstorming task on instant messenger. Each participant was teamed up with two of our research assistants posing as fellow participants. In one condition, one researcher sent a message to the team that the participant couldn't read (it looked like garbled text), and then the other researcher sent a response: "I agree!" This made the participant think that the other two had exchanged information that he or she was not privy to. In the other condition, the second researcher responded to the garbled message with, "Hahaha, that's hilarious, I agree!" It was a subtle difference—in both conditions, participants were on the outside. Did it matter whether what they missed was funny? Yes. Participants were more likely to believe that their partners thought of themselves as superior in the inside-joke condition than in the inside-information condition, and they reported lower group identification and cohesion when the secret exchange involved a joke.

We've all experienced this phenomenon firsthand. Although levity is typically thought of as a behavior that binds people together, it can draw fault lines in a group, making some people feel awkward and excluded. Inside jokes have their place, of course. They can signal closeness or camaraderie, making people feel pleased to be in the loop. This kind of humor can be useful in transactional or nonconsequential situations when it doesn't matter much if an outsider doesn't get it. But the research on this kind of humor is clear: When group cohesion is important, tell jokes that everyone can understand.

**When to use sarcasm.** Despite the fact that you're soooo good at using sarcasm, a little more guidance won't hurt.

Research by Li Huang (INSEAD), Francesca Gino (Harvard), and Adam Galinsky (Columbia) reveals that sarcasm is not just for teenagers trying to irritate their parents; it can be useful for managers and teams as well. In their study, participants either made or received sarcastic comments or made or received sincere ones. Participants in the sarcasm condition were significantly more likely to solve a creativity task assigned later in the experiment than those in the sincere condition. In a subsequent study, participants were asked to merely recall a time when they either said or heard something sarcastic or a time they said or heard something sincere. Once again, creativity on the subsequent task was higher in the sarcasm condition.

Why does this happen? Sarcasm involves saying one thing and meaning the opposite, so using and interpreting it requires higher-level abstract thinking (compared with straightforward statements), which boosts creativity. The downside is that sarcasm can produce higher levels of perceived conflict, particularly when trust is low between the expresser and the recipient. And because sarcasm involves saying the opposite of what you mean, there's a risk of misunderstanding or worse if the recipient does not pick up on the humorous intent and takes a sarcastic comment literally. The lesson: Unleash your sarcastic side to get creative juices flowing—but tone it down with new colleagues, in unfamiliar settings, or when working in teams where strong relationships haven't yet been built. Until you've established trust, it's best to communicate with respect.

**When to use self-deprecation.** During his presidential campaign, John F. Kennedy faced accusations that his wealthy father was attempting to buy the election. At the 1958 Gridiron dinner, Kennedy addressed those accusations by saying, "I just received the following wire from my generous daddy: 'Dear Jack, don't buy a single vote more than is necessary. I'll be damned if I'm going to pay for a landslide.'"

Self-deprecating humor can be an effective method of neutralizing negative information about oneself. Research by one of us (Brad) and Maurice Schweitzer found that individuals are seen as warmer and more competent when they disclose negative information about themselves using humor than when they disclose it in a serious manner. When they add humor to a disclosure, counterparts view the negative information as less true and less important. For example, the study found that job candidates who revealed their limited math ability in a humorous manner ("I can add and subtract, but geometry is where I draw the line") were perceived as better able to do math than those who disclosed the information in a serious manner ("I can add and subtract, but I struggle with geometry").

There are limits to the benefits of self-deprecating humor, however. Among lower-status people it can backfire if the trait or skill in question is an essential area of competence. For instance, a statistician can more safely make self-deprecating jokes about her spelling than about her statistical skills. So when discussing core competences, another form of humor might serve the purpose better. (An exception worth mentioning is when being self-deprecating about a core competence is the only alternative to disclosing the information in a serious way.) You should also avoid using humor to reveal your failures in situations where levity would be seen as inappropriate (such as if you are testifying in court) or when the failure is perceived as so serious that joking about it would be in poor taste. At the 2004 White House Correspondent's Dinner, for example, President George W. Bush showed a video in which he was searching around the Oval Office and saying, "Those weapons of mass destruction have got to be somewhere. Nope, no weapons over there...maybe under here?" The topic was too consequential for jokes, and the video generated harsh criticism.

**When to use humor to dodge difficult questions.** In the second of two debates during the 1984 U.S. presidential campaign, Ronald Reagan, the incumbent, was asked if his age would impede his ability to do the job in a second term. At age 73, Reagan was already the oldest president in American history, and he was perceived as being fatigued during the first debate. The president responded by saying, "I will not make age an issue of this campaign. I am not going to exploit, for political purposes, my opponent's youth and inexperience." The audience, along with Reagan's opponent, Walter Mondale, erupted in laughter. Mondale later said it was the moment he knew he had lost the election.

Few people enjoy being asked difficult questions like the one posed to Reagan. Previous research has revealed a range of ways people can respond: by staying silent, explicitly lying, paltering (saying truthful things to deliberately mislead), or responding with another question. Using humor to dodge a question is another option that can be quite helpful in certain situations. That's because humor is cognitively distracting, according to research by Madelijn Strick (Utrecht University) and colleagues. Just as a good magician gets the audience to look away from the sleight of hand, a successful joke can turn our attention away from certain information. Successful humor also makes us happy, and we are more likely to trust people when we are in a good mood. And as we

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have mentioned, funny people are seen as more intelligent and skilled. Part of the reason Reagan's response was so effective was that his mental ability was under attack. By responding with humor (even with a scripted line he had probably rehearsed), Reagan signaled to the audience that he was still mentally sharp.

**When to use humor to deliver negative feedback.** During the American Civil War, Abraham Lincoln was angered when General George B. McClellan failed to attack General Robert E. Lee in Richmond. Lincoln addressed the issue in a letter to McClellan saying, "If you don't want to use the army, I should like to borrow it for a while. Yours respectfully, A. Lincoln." Using humor to deliver negative feedback, as Lincoln did, can make criticism more memorable.

Delivering negative feedback can be challenging, so it may be tempting to fall back on a joke to lighten the mood. However, couching criticism in the form of a joke can lessen its impact. Peter McGraw and colleagues ran experiments in which participants reviewed complaints that were made in either a humorous or a serious manner. Although humorous complaints were better received than serious ones, they were also seen as more benign, and people felt less compelled to take action to rectify the problem.

Because accompanying criticism with humor softens the feedback, it detracts from getting the point across when the issue is not obvious. If a manager jokes about a subordinate's slipping performance, the employee may think either that his performance hasn't been slipping or that the situation isn't a big deal. If it were, why would she be joking about it?

**When to use humor as a coping mechanism.** Do you remember the day after the 2016 U.S. presidential election? For Donald Trump supporters, it was a happy day; for Hillary Clinton supporters, not so much. We took that opportunity to study how humor might help people cope with negative news. The day after the election, one of us (Alison) and several collaborators asked people who had voted for Clinton to write either something humorous or something meaningful about Trump's victory. Those who sought humor in the situation felt better about it in the moment—and they still felt better about it when the researchers checked back in with them months later.

Humor can be an extremely powerful coping tool, in even the toughest of circumstances. Leadership consultant Linda Henman found that American prisoners of war in Vietnam frequently used it to deal with the tough conditions they experienced. Strick and colleagues conducted studies in which they presented participants with photos of negative scenes (such as a physical assault or a car crash), followed by either a funny stimulus or a positive but not funny stimulus. Participants presented with the funny stimulus reported fewer negative emotions than did participants presented with the nonhumorous one. Why? Again, the cognitively demanding aspect of humor distracts people, leaving them less able to focus on negative information.

Other research, however, revealed that the type of humor matters. One study by Andrea Samson (University of Fribourg) and James Gross (Stanford) found that positive, good-natured humor in response to bad news made people feel better, but negative, dark, or mean-spirited jokes made them feel worse. It's also important to be careful about offending others with jokes when a situation is ongoing or recent ("too soon").

But in general, humor can be tremendously useful in helping people cope not only during or immediately after a negative event but also over the long term. In other studies Samson and Gross conducted with Alana Glassco (Twitter) and Ihno Lee (Uplight), participants who created funny responses to negative stimuli (such as responding to a photo of a man with facial stitches with, "Now he has a great zombie costume for Halloween!") reported higher positive affect a week later when they were shown the negative pictures again. So the next time you receive bad news at work (slow sales or a botched launch), think about ways to laugh about it ("At least we don't have to worry about stockouts" or "I've been stress eating so much it's a shame my portfolio isn't tracking my waistline"), even if you don't say them out loud. As comedian Stephen Colbert observes, "You can't laugh and be afraid at the same time—of anything. If you're laughing, I defy you to be afraid."

## YOU DON'T NEED TO BE A COMEDIAN

Just as you don't need to be Phil Mickelson to do well at the company golf outing, you don't need to be Amy Schumer, Ali Wong, or John Mulaney to use humor well in the office. If anything, following the style or content of many professional comedians—who are expected to push the boundaries of appropriateness—would be dangerous in most workplaces. A joke's success depends on who's telling it, where and when it is told, and to whom, so everyone should use caution when attempting to retell a comedian's jokes at work. The good news is that your colleagues are not expecting you to be as edgy (or as funny) as the professionals—or even to tell planned jokes at all.

# When Humor Works and When It Doesn't

There are no hard-and-fast rules about when it's safe or appropriate to tell a joke, but these general guidelines can help you use humor successfully at work.

**Use inside jokes** when you're not worried that individuals who don't get the joke will feel ostracized.

**Avoid inside jokes** when you care about group cohesion and not everyone is in the loop.

**Use sarcasm** when you're trying to boost creativity in a group of people you know well and trust.

**Avoid sarcasm** when you're trying to build relationships or when you want to avoid interpersonal conflict.

**Use self-deprecation** when you're joking about a nonessential trait or skill or you have to disclose negative information about your competence and your only other option is to do so in a serious way.

**Avoid self-deprecation** when you're discussing a core skill for your job or have not yet established widespread trust in your competence.

**Use humor to dodge difficult questions** when you're confident the audience will view your response as funny and you have a more serious answer if you're pressed on the question.

**Avoid humor to dodge difficult questions** when you don't have a sense of the audience and you're not highly confident the joke will land.

**Use humor to deliver negative feedback** when you want to increase the odds that the recipient will remember the feedback.

**Don't use humor to deliver negative feedback** when there's a chance the recipient will underestimate the urgency or importance of the message.

**Use humor as a coping mechanism** when you're close with the members of a group going through something difficult.

**Don't use humor as a coping mechanism** when the situation is ongoing or recent ("too soon") or you risk being perceived as callous.

**Use humor** whenever you can, cognizant of your relationships with the people listening and the norms of different environments.

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When you think about humor as a tool of leadership, recognize that people can be funny in a variety of ways. For example, witty conversationalists differ from elaborate storytellers, clever emailers, and rollicking presenters. Each of these types of humor requires a different response time, unique delivery pacing, and an understanding of the audience. If you're uncomfortable making jokes in a large group or during a presentation, stick to using humor in one-on-one conversations. If you tend to be more serious when talking one-on-one, you might try sending funnier emails. Options for incorporating more humor into your work life abound.

HUMOR AT WORK is a delicate dance, and humor research is still in its infancy. Scholars (including us) are gaining data-driven descriptions of how people use various kinds of humor, and of when it works and when it doesn't. But any rules of thumb for using humor have to include a caveat: Context matters. Conversational dynamics can vary profoundly from culture to culture, person to person, and group to group. These factors are tricky to navigate and make it difficult—even in the moment—to know whether your humor attempt has been successful or not. Many people will laugh politely even if something isn't funny or is in poor taste, creating an unreliable feedback loop.

If you don't think you can land jokes at work, or you're too nervous to try, that's OK. Not everyone is meant to be funny, just as not every attempt at humor will be successful. (Even professional comedians have bits that bomb.) But you can still incorporate levity into your work life by doing something simple: appreciating other people's humor. Be quick to laugh and smile. Delight in the absurdity of life and in the jokes you hear. A life devoid of humor is not only less joyful—it's also less productive and less creative, for you and for those around you. Abundant benefits await those who view humor not as an ancillary organizational behavior but as a central path to status and flourishing at work.

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MANAGING YOURSELF

# Make the *Most* of Your Relocation

## How to **reap the benefits and limit the costs** when a job takes you far from home


AUTHOR **Prithwiraj Choudhury**
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PHOTOGRAPHER **HELGE SKODVIN**

IDEA IN BRIEF

THE BACKGROUND
*Today's professionals are often expected to be geographically mobile, especially if they work for multinational corporations.*

THE PROBLEM
*While cross-border moves offer many career benefits, there are also regulatory and occupational constraints and economic and psychological costs associated with them.*

THE SOLUTION
*Research indicates that making moves early in your career can accelerate it and that effective relocators find creative workarounds, stay connected to home, strategically time their trips to headquarters, and proactively plan their next steps.*

**ABOUT THE ART**

*Helge Skodvin's series "A Moveable Beast" captured the transport of the Natural History Collection across town in Bergen, Norway, as it was prepared for a major restoration.*



Bill Wiseman was facing a quandary. He'd been working at McKinsey's Seattle office for two years when his wife got a job in Okinawa, and he had to decide whether to remain a U.S.-based consultant or take a position as an engagement manager in the South Korean office, where an opportunity had opened up. While Wiseman was eager for the promotion and wanted to be near his wife, he had very little knowledge of Korean culture and language and worried that a move to Asia might hurt his career.

Many professionals will recognize how difficult such a choice is, because they've confronted similar ones themselves. Although the Covid-19 crisis has halted travel in recent months, geographic mobility has become critical for managers and knowledge workers hoping to advance in today's globalized economy, especially at multinational corporations, and that trend is unlikely to reverse. But when opportunities emerge in faraway locations, how do you know if they're right for you? A stint in a new region or country might enhance your problem-solving skills, position you as a knowledge broker, and be financially rewarding. However, there are also downsides. How can you take advantage of all the benefits while mitigating the constraints and minimizing the costs?

Research on hundreds of professionals who have moved across borders in a variety of organizations and industries points a way forward. Put simply, anyone contemplating such an assignment must think through its full life cycle before taking it: when, where, and for how long to go; how to operate while there; when and how to return or make another move; and how the assignment fits into broader career and personal priorities.

## THE BENEFITS

Many studies show that professionals build knowledge, skills, and networks and benefit economically from geographic moves. In 1977, for instance, the management scholars Anders Edström and Jay Galbraith found that overseas jobs could give midlevel managers at multinational corporations a crash course in leadership, helping them learn to make independent decisions and develop strong informal communication networks. And Michael Clemens of the Center for Global Development has documented that knowledge workers who take international positions earn higher salaries than other people who perform the same tasks in the same jobs at the same firms.

My own research also underscores the upside of geographic mobility. When I interviewed managers at McKinsey who'd made international moves, they all agreed that building a network of clients, mentors, and mentees across multiple locations could be a career accelerant, providing access to more information, knowledge, and resources than remaining in one place did. A 2017 study I did with Shinjinee Chattopadhyay showed that newly hired Indian bureaucrats who were randomly assigned to remote and challenging locations advanced more quickly than their counterparts in mainstream locations did—possibly because they had more opportunities to enhance their problem-solving skills. One was a woman sent to a region with high crime—which was 900 miles from the capital and 1,000 miles from her hometown—who worked with the wives and daughters of local Maoist insurgents to convert an abandoned tourism-department bungalow into a village school. As she acknowledged, she "would not have learned to think out of the box while sitting in the comfort zone of Bangalore or Delhi."

Overseas work experiences appear to have a positive impact on innovation, too. In 2006, AnnaLee Saxenian showed how foreign-born employees absorbed knowledge, contacts, and values in Silicon Valley and then spread them

### The Challenges of Geographic Moves

According to the ROPE framework, transfers face four kinds of issues.

| REGULATORY | OCCUPATIONAL | PSYCHOLOGICAL | ECONOMIC |
|---|---|---|---|
| Visa constraints | Licensing requirements | Social attachment | Living costs |
| Travel constraints | Noncompete clauses | Emotional costs | Travel costs |
| Local regulations | | Cultural costs | Information costs |
| Geographically limited benefits | | Family concerns | Opportunity costs |

to emerging innovation hubs at home in Taiwan, Israel, China, and India. And the benefits seem to flow the other way: When Dany Bahar, Hillel Rapoport, and I examined innovation patterns across 95 countries, we saw that immigrant inventors played a big role in spreading ideas from their native countries to their new locations. This effect was also found in a 2019 study I did with Do Yoon Kim, in which we exploited a natural experiment related to visas and discovered that researchers from China and India who had come to work at biopharma entities in the United States had leveraged their understanding of herbal medicine and made their teams more innovative. The Asian and local researchers combined their knowledge to develop patents for novel offerings, such as a skin treatment that combined turmeric with synthetic compounds and a remedy for menopausal pain that incorporated green tea.

Experiences abroad boost individual creativity as well. Consider Kentaro Toyama, a Japanese computer scientist who moved to India for Microsoft, whom I encountered in my research with HBS's Tarun Khanna. While visiting village schools, Toyama noticed that when children shared one computer, as was typical, the class bully would control the mouse. So he developed MultiPoint, a device that gave each child a mouse that connected to the school computer.

The beneficial effects seem to cascade down to the colleagues of people who've made overseas moves. In a

> Overseas jobs can give midlevel managers a crash course in leadership, helping them learn to make independent decisions and develop strong communication networks.

2016 study I saw how managers in the emerging-market R&D center of a *Fortune* 50 technology company used the internal social capital they'd gained from prior stints abroad to help their reports: Newly hired college graduates who were randomly assigned to work under those managers were three times as likely to file a patent as their counterparts working for managers with no international experience—and were also more likely to build on knowledge produced in the distant headquarters. In other words, the managers who had worked abroad acted as a bridge to transfer knowledge between geographies.

## CONSTRAINTS AND COSTS

Despite the great potential benefits, geographic moves present several possible drawbacks, especially for someone with a partner and children. These can be divided into four buckets: *regulatory* and *occupational* constraints, and *psychological* and *economic* costs. I've started referring to this framework as ROPE.

**Regulatory.** These include any legal limitations on geographic moves—between or within countries. Even if your company sponsors you for an employment visa, future changes might lead to its not being extended. For example, when Chungeun Yoon, Kirk Doran, and I studied data on professionals who had come to the United States on H-1B visas to work for a large technology company, we found that extension rates for those visas declined sharply after 2017. Well before the current pandemic, the United States had banned nationals from certain countries from entering it, and fears over future contagions and epidemics could cause it and other governments to further restrict movements. Post-Brexit, European Union citizens working in the United Kingdom or Brits working in Europe may also confront new immigration rules. Even something as minor as regulations on the transport of pets between countries can cause headaches for families trying to manage a move.

As for within-country regulatory constraints, one example is China's household registration system, *Hukou*. In our research, Gary Pisano and I found that it makes it difficult for some workers to relocate and for companies to retain interstate migrant workers long-term, because a change in *Hukou* can cause both an individual and his or her family to lose health and education benefits. In India similar constraints are posed by a ration card, tied to a citizen's home state, that provides access to subsidized food. Historically, people moving across states haven't been able to use it.

The work needs of spouses or partners pose additional constraints. Consider Mia Mends, an American-born executive that my colleague Leslie Perlow and I interviewed for a case study. After business school she was offered a "dream job" working for the Ritz-Carlton in Washington, DC. But her fiancé had been accepted into a two-year master's program at the Illinois Institute of Technology in Chicago. Mends ultimately decided to turn down the dream job because it was important for her to be with him and she could find another great job in Chicago. A few years later, Sodexo recruited her to lead sales across its eight Latin American countries. This time she said yes. "We sold our home, packed our bags, and moved to São Paulo," she recalled. "My husband quit his job, but our visa only allowed one of us to work in-country, so my husband couldn't get a new one."

**Occupational.** Another obstacle is licensing requirements—such as those in the medical, legal, and engineering professions. Accountants and lawyers moving to the EU, for instance, must work with a licensed practitioner in their new country for up to three years or take the host country's licensing exam. U.S. requirements in particular have become a lot more stringent over the past 60 years. According to David Schleicher of Yale Law School, the percentage of the workforce covered by state licensing laws in the United States grew from less than 5% in the early 1950s to 25% by 2008.

More recently, we've seen concerns about cybersecurity and technology transfer hinder geographic mobility. As a result, the U.S. companies Intel, Qualcomm, and GlobalFoundries are reportedly slowing the hiring of Chinese citizens for advanced engineering jobs. Nationalism also is now a source of constraints; earlier this year China expelled journalists employed by three major U.S. newspapers in retaliation for restrictions the Trump administration had placed on Chinese journalists in America.

Noncompete agreements can present roadblocks, too. In a study of Michigan laws, Matt Marx, Deborah Strumsky, and Lee Fleming found that enforcement of them decreased

mobility between states especially sharply for inventors who specialized in narrow technical fields.

**Psychological.** Being far from friends, family, and a familiar culture can be emotionally hard, and a big move inevitably puts stress on an individual and anyone he or she brings along. While such costs are difficult to measure, my research with Ohchan Kwon indicates that they can be surprisingly significant. In our study of IT workers who were randomly assigned to production centers throughout India, we found that people were much less productive when their stints away coincided with festivals and family gatherings back home. One told us, "This is my third year here. While I miss home all the time, I really missed it last year when my manager didn't give me leave during Diwali." Wu Zhuo, an immigrant I talked to for a case study with Caroline Elkins and Khanna, echoed that sentiment. The first Chinese New Year after he moved from his native China to Kenya to work for Golden Bell International, a Chinese state-owned company, he felt lonely and miserable, he told me. Though he's now been in Africa for two decades, new concerns have arisen: Since he and his spouse are both only children (born during China's one-child policy), they worry about being so far from their parents and needing to come home to take care of them.

Cultural disconnects in the new location often take a toll. Mends, who hails from Houston, reported feeling like an outsider during her time abroad. "My husband and I are African American—he has Ethiopian roots—and we expected to meet many other ethnic Africans in Brazil," she said. "But in the expatriate community, we didn't see many black people. Those we encountered were typically the domestic help. We got a pass because we were American. But we would go to restaurants and people would touch our kids' hair. At age two or three, our daughter said that she wanted to be white and blond because many of her classmates were." Mends also said that because she was unfamiliar with Portuguese, she had to sit through several business meetings without understanding the conversation and didn't feel on top of her game in the new geography.

The time and effort it takes to learn a new language (if necessary), adapt to a new cultural context, and understand dramatically different health care, financial, transportation, and numerous other systems can also be frustrating. And those with partners and families have the additional challenges of finding new employers, schools, and childcare.

**Economic.** Though geographic moves are often financially beneficial—especially if the cost of living in the new region or country is lower and employers cover relocation and ongoing travel, housing, and educational expenses—they aren't always. Workers taking new jobs in London, Silicon Valley, or Hong Kong, for instance, are likely to face much higher living costs and may not be able to maintain their current lifestyle at the salary offered. The cost of personal travel to see family and friends back home can be a burden if companies don't cover it. And income forgone by partners who are unable to get jobs in a new country—or must take time off during a move and search for another position—also falls into this bucket. Mends said that because her husband couldn't get a work visa in Brazil, she became the family's breadwinner. "He was creative

Helge Skodvin/INSTITUTE

MANAGING YOURSELF

and found some consulting work," she added, "but it was not easy for us, especially in a culture known for machismo." Here, psychological and economic costs clearly overlapped.

Geographic moves can cost people career opportunities too. Rosalie Tung has collected anecdotal evidence of workers who were reluctant to accept extended overseas assignments because they worried about being forgotten and passed up for promotion. After one manager moved to Japan, for instance, he saw his rival rise through the ranks at headquarters. Professionals stationed far from their company's main office can also miss out on securing key information and critical resources for their ideas. In my research with Khanna, I saw this play out in 2006 at a multinational's R&D center in China, where managers were working on developing a promising prototype for a cheap "computer-phone" for the masses. Even after a successful pilot, the project was shelved because of lukewarm support from headquarters back in the United States. Frustration with navigating the cross-border resource-allocation process eventually made the managers leave the company and work for local firms that were willing to support their ideas.

If executives make multiple moves, problems can be compounded. In some cases the first transfer increases the constraints and costs of the next one, and people become geographically stuck. This can happen if kids are born in the new location and get attached to friends, schools, and the community or if a spouse finds a great job with long-term career prospects there.

## MAXIMIZING VALUE

Though every geographic move will have different benefits, constraints, and costs, a few principles remain universally relevant.

**Move early.** The challenges of transfers tend to be smaller near the start of your career. For one thing, you're less likely to have a spouse or children then. Moreover, the problem-solving skills that moves help you build will generate returns over a longer stretch of your career. There is a rich research stream on how early experiences have a lasting influence on subsequent social behavior.

Conversations I've had with many colleagues over the years support the idea that early-career moves to new geographies tend to pay long-term dividends. For instance, a McKinsey consultant from Austria who did a brief stint in India and a Microsoft sales manager from South America who took assignments in Europe and Asia both told me how much those early moves helped build their reputation back in their home offices.

**Step way outside your comfort zone.** Any significant move will stretch your capabilities. But some present more opportunities to do so than others, as the study on Indian bureaucrats assigned to remote locations showed. In follow-up research with Shinjae Won, Chattopadhyay and I found that bureaucrats sent to smaller towns were also more likely to advance to managerial positions, perhaps because of the greater leadership roles they had to take in those less heavily staffed areas. In another study, Hise Gibson, Eric Lin, Sunasir Dutta, and I found that U.S. military officers who were quasi-randomly sent to challenging locations in Iraq and Afghanistan during the conflicts there saw a similar acceleration of their careers.

You don't have to choose a "crucible" location like a war-torn region to fast-track your career, of course. Indeed, as research by Andy Molinsky and Erin Meyer has shown, you can stretch yourself simply by moving to a place where you must navigate entirely unfamiliar norms, strengthening your cultural fluency and empathy as you work through those challenges. So if you have a choice, go for assignments that will test your abilities and help you grow as a leader.

**Find workarounds.** Many people making geographic moves discover creative ways to sidestep the constraints and costs. For example, Wiseman at McKinsey did decide


to relocate to South Korea, despite his inability to speak the local language. Although his formal position technically required him to interact with clients in Korean and Japanese, he challenged his team of associates to take on that responsibility, while he performed the role of thought leader and general manager. This was a great win-win for Wiseman and his direct reports.

Mends took the opposite tack, working hard to learn to speak Portuguese "proficiently, but not perfectly," even though it wasn't a requirement, so that she could better relate to locals in her office. So you can rethink not only how the work gets done but also how you operate socially in the new environment. And keep in mind that the more you have in common with colleagues, the less isolated you'll feel. My ongoing research with Kwon reveals that people who relocate tend to be happier if they find a cohort of workplace friends who speak their native language.

Another interesting and newly emerging workaround for partners of people making geographic moves is to find employment at firms with work-from-anywhere programs, such as GitLab, Zapier, Seeq, the United States Patent and Trademark Office, and Akamai—to name just a few. As one U.S. patent examiner told me, "I'm a military spouse, which means I live in a world with frequent moves and personal upheavals that prevent many spouses from having lasting careers, especially careers of their choice. Work from anywhere allows me to pursue my own aspirations to contribute both to my home and to society despite moving constantly."

**Stay connected to home.** A great example of someone proactively mitigating the psychological costs of feeling disconnected from family and culture is Natalie Nicolaou, a Cypriot at the World Bank in Washington, DC. In her own words: "I'm working to make sure that my children feel like Cyprus is their home as well. I have to make a real effort. The best way to do this is to visit frequently, but there are things we can do here. I pay for satellite television to access Cypriot channels so that my kids understand Cypriot pop culture and have something to talk about with their cousins. We have had many live-in nannies who are native Greek speakers. We bought a house in the suburbs instead of in the middle of the city to be near a Greek Orthodox Church, where there are Greek speakers and a strong Greek and Cypriot community. I have a tough commute, but at least when they're celebrating Cyprus Independence Day, I can be part of it."

Just a few decades ago, expatriates faced technology challenges when trying to stay connected across borders. According to Sunil Amrith, who studies the transregional movement of people and ideas, in the 1980s, 1990s, and even early 2000s overseas workers used calling cards to make international phone calls. Amrith also cites Yasmine Kabir's account of an émigré who sent audio letters on recorded cassettes to his family. However, as Tsedal Neeley points out in her work on globally dispersed teams, we now live in the world of Zoom, Slack, Jive, and Yammer. Keeping in touch with distant family and friends is much easier.

**Make return trips strategically.** Well-timed travel back to corporate headquarters can protect those undertaking geographic moves from losing opportunities. At one *Fortune* 50 company's Indian R&D center, I identified a mechanism through which employees circumvented the constraints of long distances: short, timely visits to the main office. At this company, travel to headquarters was limited, and Indian inventors could not visit at will. However, those who were lucky enough to make trips to the United States during crucial months in the R&D disbursement cycle—just before the fourth-quarter review meeting—enjoyed a much greater likelihood of securing resources for innovations. This is a lesson that all far-flung employees who want to win support for their projects should note.

The timing of vacations is also important. The study of Indian IT workers assigned to production centers around the country showed that they performed better when they had greater flexibility in scheduling their vacations and that they enjoyed trips to their hometowns more when a large number of family and friends were also around. As Cristobal Young and Chaeyoon Lim have argued, time is a "network good," and its value depends on the number of others in our social circle who have the same time available. Having the ability to travel home regularly or when it matters the most can tip the balance in favor of an international move.

**Plan the next step.** A final good practice is sketching out the life cycle of your move and beginning to think about the next one, whether it will entail returning to your previous city, staying in your new region, or transferring somewhere else entirely. If, for instance, you plan to go back home or to headquarters after two or three years, ask senior leadership what roles might be available at that point and what skills or experience you would need to be successful in them. You could have similar discussions with your family, especially your spouse and children. One manager told me, "I aspire to return home in the next five years. I've seen colleagues who've worked for the firm for many years, and then when they want to go home, most of the people they know are here in the U.S., their children live here, and their children don't want to go back because it doesn't feel like home. They've stayed too long and missed the window."

Look out for looming changes in the regulatory environment, your organization, or your family that could affect your plans, and maintain an open dialogue about them with your manager and HR so that you end up neither locked out of nor stuck in the country to which you've moved. You might even want to work closely with a personal immigration lawyer to understand ongoing shifts in the residency requirements of your home and host countries.

Consider, too, whether you're interested in trying overseas work as a one-off experiment or in becoming a permanent expat or the type of "global cosmopolitan" that scholars like Rosabeth Moss Kanter and Martine Haas have described. Wiseman, for example, moved to Seoul expecting to be overseas for a few years but ultimately spent two decades leading teams across East Asia, earning the nickname "Mr. Mobile." He notes that all his experiences in diverse geographies helped him become a "serial stretch thinker."

Recent travel restrictions notwithstanding, the world is indeed an oyster for knowledge workers. You should, however, think carefully about the anticipated benefits and probable costs and constraints of any geographic move and map out its ideal life cycle before you embark on that adventure.

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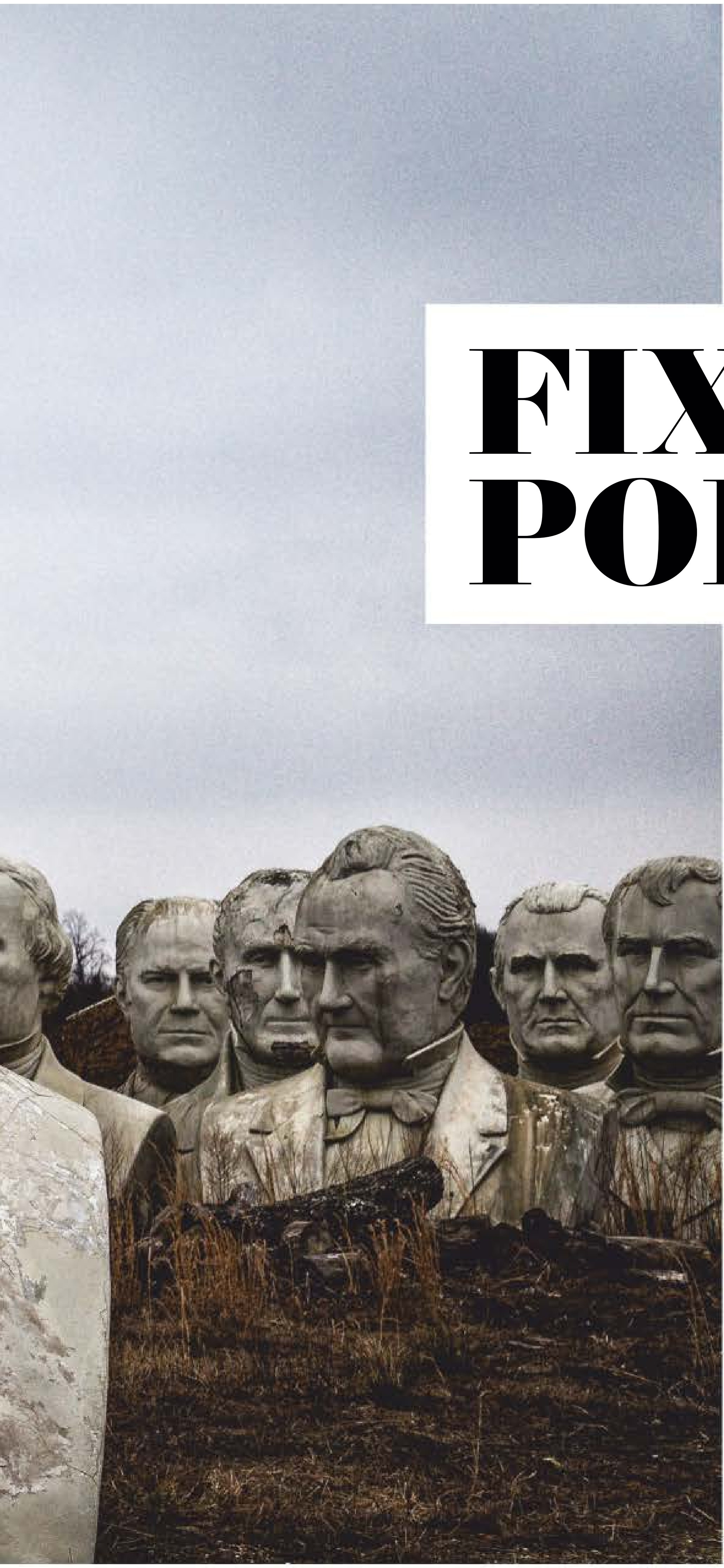

ECONOMICS & SOCIETY

# FIXING U.S. POLITICS

## What business can—and must—do to revitalize democracy

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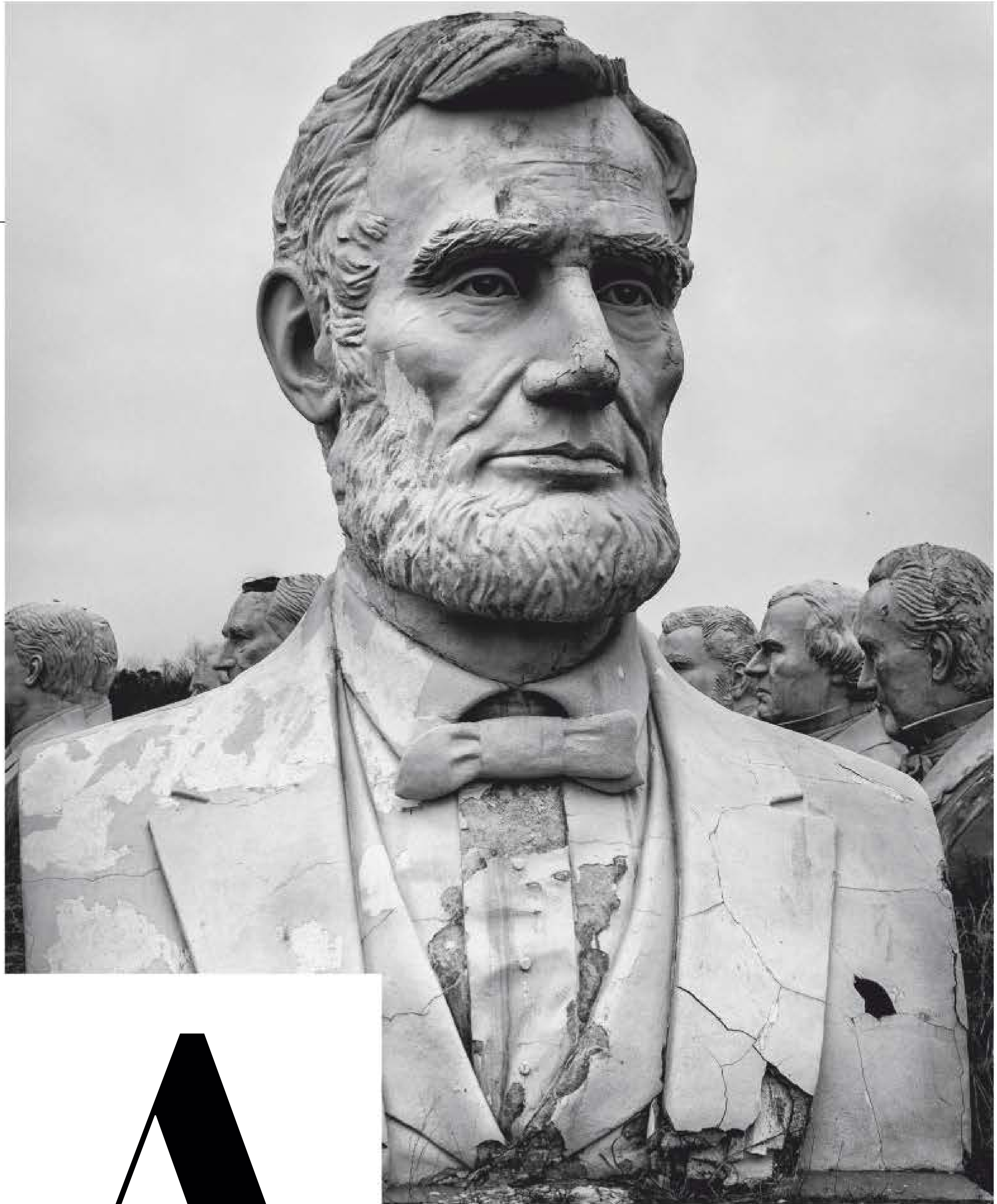


IDEA IN BRIEF

THE PROBLEM
*Although people tend to think of the American political system as a public institution based on high-minded principles, it's not. Politics behaves according to the same kinds of incentives and forces that shape competition in any private industry.*

WINNERS AND LOSERS
*Our elections and our legislative systems are drowning in unhealthy competition: The entrenched duopoly—the Republicans and the Democrats—wins, and the public interest loses.*

THE SOLUTION
*We can have healthy competition in politics—results, innovation, and accountability—by redesigning how we vote to connect acting in the public interest with getting reelected. We call it free-market politics.*

**AMID THE UNPRECEDENTED PARTISANSHIP** and gridlock in Washington, DC, Congress appears locked in a permanent battle, incapable of delivering results. It seems to many Americans—and to the rest of the world—that our political system is so irrational and dysfunctional that it's beyond repair.

True, Republicans and Democrats recently passed major legislation aimed at stabilizing an economy ravaged by the effects of the Covid-19 pandemic. But this should not be mistaken for an encouraging sign about the political system itself. In fact, it reflects a familiar pattern: A semblance of bipartisanship emerges in a national crisis, when the two parties fear mutual-assured electoral destruction if they don't get something done. They agree on an emergency response and publicly tout their success even as they quietly agree to pass the cost on to future generations. When today's crisis subsides, Congress will return to

ABOUT THE ART

*Robert James documented the remains of Presidents Park, a failed tourist attraction. The 43 crumbling busts of past presidents, each 18 to 20 feet tall, now stand on a family farm in Croaker, Virginia.*



business-as-usual political brinksmanship that fails to solve our many other current challenges and prevent future crises.

It doesn't have to be this way.

Powerful solutions—ones you may not be familiar with—exist and can be implemented within years, not decades. In our new book, *The Politics Industry: How Political Innovation Can Break Partisan Gridlock and Save Our Democracy,* we discard the conventional understanding of U.S. politics. The problem is not specifically a politician problem, a policy problem, or a polarization problem: It is a systems problem. Far from being "broken," our political system is doing precisely what it's designed to do. It wasn't built to deliver results in the public interest or to foster policy innovation, nor does it demand accountability for failure to do so. Instead, most of the rules that shape day-to-day behavior and outcomes have been perversely optimized—or even expressly created—by and for the benefit of the entrenched duopoly at the center of our political system: the Democrats and the Republicans (and the actors surrounding them), what collectively we call the political-industrial complex.

Drawing on Katherine's groundbreaking development of *politics industry theory* and decades of business leadership, and Michael's seminal scholarship on competition, we've reached five key conclusions about the nature of U.S. politics and remedies for its dysfunctions:

- Although people tend to think of the American political system as a public institution based on high-minded principles and impartial structures and practices derived from the Constitution, it's not. Politics behaves according to the same kinds of incentives and forces that shape competition in any private industry.
- The dysfunctions of the politics industry are perpetuated by unhealthy competition and barriers to entry that secure the duopoly's position regardless of results.
- Our political system will not correct itself. There are no countervailing forces or independent and empowered regulators to restore healthy competition.
- Certain strategic changes to the rules of the game in elections and legislating would alter incentives in ways that create healthy competition, innovation, and accountability.
- Business, in pursuing its short-term interests, has become a major participant in the political-industrial complex, exacerbating its dysfunction. The business community must reexamine its engagement model and throw its weight behind structural political innovation that would benefit both business and society in the long term.

## UNHEALTHY COMPETITION

To examine how the current system works, we applied the Five Forces framework originally developed to explain industry structure and its effects on competition in for-profit industries. This framework illuminates the root causes of political dysfunction and points to the most powerful levers for transformation.

The politics industry is driven by the same five forces that shape competition in any industry: the nature and intensity of rivalry, the power of buyers, the power of suppliers, the threat of new entrants, and the pressure from substitutes that compete in new ways. The dynamic relationships among these forces determine the nature of industry competition, the value created by the industry, and who has the power to capture that value.

Healthy competition in an industry is a win-win. Rivals compete fiercely to better serve customer needs. Channels for reaching customers reinforce healthy competition by educating customers and pressuring rivals to produce better products and services. Suppliers compete to provide better inputs that allow rivals to improve their products and services. New entrants and substitutes promote innovation and shake up existing competition, as long as they are not held back by high barriers to entry. Customers have the power to penalize rivals for poor products and services by taking their business elsewhere. In healthy industries, the rivals do well as long as customers are satisfied.

We don't have this sort of healthy competition in the politics industry—quite the opposite. Competition takes place on two key levels: competition to win elections and competition to pass (or block) legislation. Our elections and our legislating are drowning in unhealthy win-lose competition: The duopoly wins and the public interest loses. This tragic outcome results from the structure of the politics industry.

Applying the Five Forces to politics reveals the key problems. The rivals (the Democrats and the Republicans) have entrenched their duopoly so that they do well even if the customers they should serve (citizens and voters) are

ECONOMICS & SOCIETY

profoundly dissatisfied. The rivals differentiate themselves by dividing up voters according to ideological and partisan interests. They target mutually exclusive groups of partisans and special interests in order to minimize overlap of core customers. This division enhances customer loyalty and reduces accountability. Each competes to reinforce the division by demonizing the other side instead of delivering practical solutions that would most likely require compromise.

Channels (media coverage, advertising, direct voter engagement) and suppliers (candidates, lobbyists, voter-data shops) have been compromised and co-opted to serve the duopoly's agenda. And most customers have very limited influence—in large part because substitutes and new entrants have been effectively blocked.

The barriers to entry facing new competitors (such as a new political party) or substitutes (such as independents) are colossal, and the duopoly cooperates to strengthen those barriers whenever possible. For example, to keep new entrants at bay, the duopoly created fundraising rules that allow a single donor to contribute $855,000 annually to a national political party (Democrats, Republicans, or both) but only $5,600 per election cycle—every two years—to an independent candidate committee.

No major new political party has emerged since 1854, when antislavery Whigs split off and formed the Republican Party. The Progressive Party (1912) and the Reform Party (1995) were both serious efforts, but they managed to elect only a few candidates and were disbanded within a decade. Despite widespread and growing dissatisfaction with the existing parties, contemporary third parties continue to fare poorly, as do independents, even though more citizens identify as independent than as either Democrat or Republican.

## THE MACHINERY OF POLITICS

In the politics industry, the greatest barriers to entry—and thus to good political results—are structures and practices that seem perfectly normal to us because "they've always been that way." These include party primaries, plurality voting, and a partisan-controlled legislative process.

We use the terms "elections machinery" and "legislative machinery" to refer to specific norms, structures, and practices of the elections and legislative processes. Together, they deliver poor outcomes for citizens as reliably as well-oiled machines in a factory. To produce results that are in the public interest and to ensure accountability for those results, we need to redesign both the elections and the legislative machinery.

**Elections machinery.** The two features of the elections machinery that are most to blame for today's unhealthy competition are party primaries and plurality voting.

For more than 80% of U.S. House seats, the party primary is the only election that matters, because in the general election the seat is "safe" for one party regardless of who the candidate might be. (For example, a Democrat is almost sure to win in most "blue "Massachusetts districts, and a Republican in most "red" Indiana districts.) Because the small proportion of voters who participate in congressional primaries (often well under 20% in midterms) tend to be more ideological than voters overall, the primary effectively forces candidates on both sides further from the center.

It is not, however, an ideological divide per se that creates the greatest problem for the country. It's how a party primary affects legislative behavior.

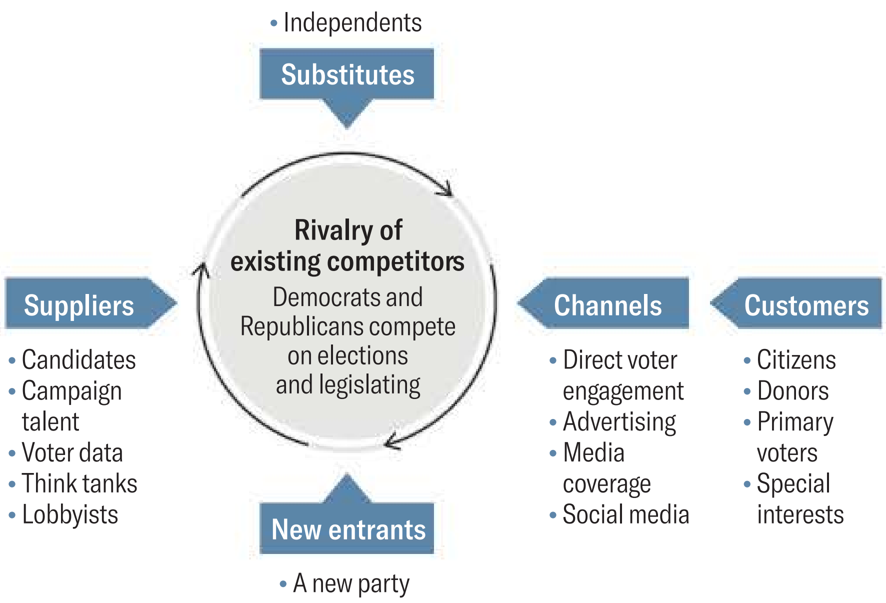
When members of Congress consider a bipartisan, compromise bill representing an effective solution to a major problem—unaffordable health care, a ballooning national debt, climate change—their top concern must be whether they will survive their next party primary if they vote yes. If they think that supporting the compromise bill will doom their chances—and on our biggest issues, on both sides, it almost always will—then the rational incentive to get reelected dictates that they vote no. This makes it virtually impossible for the two sides to come together to solve challenging problems. Party primaries create an "eye of the needle" through which no problem-solving politician can pass. Therefore, our political processes fail to deliver results that benefit the public interest. There's no accountability for this failure because there's no threat of new competition.

We have plurality voting to thank for the lack of new competitors. When the Founding Fathers designed our system, they had few examples of democratic elections to look to, so they borrowed the concept from Britain: The winner is the person who gets the most votes, but not necessarily a majority. For example, a candidate can win with 34% in a three-way race—meaning that 66% of the voters preferred someone else.

Almost 250 years later, it is clear that plurality voting is far from optimal. It creates the anticompetitive "spoiler effect," in which a candidate unlikely to win pulls enough votes away from an ideologically similar candidate considered more likely to win. Votes for the long-shot candidate "spoil" the race for the stronger candidate—and thereby inadvertently

## The Five Forces in the Politics Industry

U.S. politics functions not as a public institution but as a private industry, behaving according to the same kinds of incentives and forces that shape competition in any other industry.




contribute to the election of an ideological opponent. In any other large, attractive industry with this much customer dissatisfaction, new competitors would enter the market. That doesn't happen in politics because the threat of the spoiler effect (and the related fear of "wasted votes") suppresses both new competition and innovative policy ideas.

Recall the vicious outcry from Democrats in the spring of 2019 when Starbucks's former CEO Howard Schultz announced he was considering an independent run for president. Democrats effectively squashed his bid, worried that he could pull enough votes away from the eventual Democratic nominee to hand the 2020 election to Donald Trump. Republicans would have responded the same way to any challenger they thought might siphon significant votes from Trump.

It doesn't matter whether you think Howard Schultz or any other potential challenger would make a great president or not. There's something inherently unhealthy about a system in which having more talented, successful people competing is seen as problematic.

**Legislative machinery.** In the politics industry competition exists not only to win elections but also to craft and pass (or block) legislation. Should a candidate make it through a party primary, win at least a plurality in the general election, and head to Washington, a partisan legislative process awaits. Congressional lawmaking takes place under a powerful set of party-created rules that prioritize the interests of the political-industrial complex. Committee chairs and membership are controlled by party leaders, and the House speaker, who controls the legislative agenda, has the power to single-handedly block a vote on almost any bill for any reason—even those supported by a majority of the House.

The end product of this partisan legislative assembly line is ideological, unbalanced, and unsustainable laws passed by one party over the opposition of the other. Change in party control of Congress brings promises to "repeal and replace" rather than "implement and improve." More often, the result is gridlock and inaction. The alarming implication is that rather than reaching across the aisle to fix problems, it's often more politically valuable to leave divisive national problems unsolved—and continue to turn out the base on those ideological divides. This was not always the case.

Landmark legislation, such as civil rights and welfare reform, historically had bipartisan support; in recent years the few successful attempts at passing major legislation, such as the 2010 Affordable Care Act and the 2017 Tax Cuts and Jobs Act, have had none. Today, bipartisan action occurs only in a crisis when both sides can get something they want and tacitly agree to add the bill to the national debt.

With its stranglehold on the elections and legislative machinery, the politics industry takes the position that less competition is better for citizens (the customers). As a result of these corruptions of electoral and lawmaking rules, there is virtually no intersection between an elected official's acting in the public interest and a high likelihood of getting reelected. (See the exhibit "How Competition Affects Results.")

Business leaders can recognize that this is irrational and indefensible even as they turn a blind eye to the role their own companies play, not only in passively perpetuating an unhealthy system but also in actively seeking to benefit from it. This must change. Our collective mindset must shift, and business must take a deep look at its role in politics today.

## THE ROLE OF BUSINESS

The tentacles of the political-industrial complex reach deep into our business community, and vice versa. The intermingling of business and political interests over time can make it hard to distinguish whose interest is being served.

Current rules and customs empower corporations to participate heavily in politics in multiple ways, from lobbying and hiring former government officials to spending aimed at influencing elections and ballot initiatives. Many executives believe that these practices are natural, necessary, and profitable. However, our research and interactions with business leaders across the country reveal indications of a shift in attitudes. As expectations grow for companies to operate with a corporate purpose that benefits all stakeholders, business leaders are beginning to grapple with hard questions:

- Does business's involvement in politics improve the business environment or worsen it?
- Does business's involvement advance our democracy—and garner public support for our free-market economic system—or erode them both?
- Can business shift its involvement to promote long-term societal benefit without jeopardizing corporate interests?

Political involvement can benefit companies in the short term; this is often described as single-bottom-line thinking. But by enabling unhealthy political competition, companies are undermining the business environment over the long term, putting America's free-market economic system at risk.

What does business engagement in politics look like today? What is its impact, and how does it align with company interests and values? Let's examine the most common forms.

**Lobbying.** At nearly $3 billion, spending by businesses accounted for 87% of total disclosed federal lobbying expenditures in 2019. Adding unreported "shadow lobbying" activities doubles that amount to $6 billion. Lobbying expenditures at the state level are also significant.

Companies are often richly rewarded for their spending. Consider the pharmaceutical industry's efforts during the opioid crisis. From the late 1990s to 2017, citizen groups spent a total of $4 million lobbying for tighter restrictions on the sale of addictive painkillers. Drugmakers, meanwhile, mounted a 50-state lobbying and elections strategy, spending more than $740 million to kill or weaken federal and state opioid regulations. As is often the case, much of this funding was channeled through industry associations and other third parties not subject to public reporting rules. Unfortunately, pharma's efforts succeeded. Corporate revenues soared, while more than 200,000 Americans died from opioid overdoses.

**Hiring former government officials.** Almost half of all registered lobbyists are former government officials. Many of them are employed by companies that hire them directly, as corporate staff, or indirectly, via lobbying firms. And many more (about half) of the former government officials working as lobbyists have avoided registering as such, taking advantage of reporting loopholes put in place by the duopoly.

The prevalence of this hiring practice, often called the revolving door, indicates just how effective companies find it. And government officials are well aware that they may have opportunities to work as well-compensated lobbyists after they leave public service, so they seek to build good relationships with both companies and lobbying firms while still in office, which may influence their policy perspectives.

The infiltration of business interests into government also works in the reverse, when former lobbyists and business leaders receive government appointments. As of March 2019, more than 350 former lobbyists were working at all levels throughout the federal government. For example, a former coal industry lobbyist now heads the Environmental Protection Agency, and consistent with the corporate interests he championed as a lobbyist, he has moved to dramatically weaken two major climate change initiatives.

**Spending on elections.** Business contributions to federal election campaigns in 2018 were estimated at $2.8 billion, a remarkable 66% of the total. To secure influence on both sides of the aisle, companies commonly support both parties' campaign organizations and candidates. Spending has historically been channeled through regulated corporate political action committees (PACs) that are subject to spending limits and disclosure requirements. Today companies increasingly give to third-party groups, such as business and trade associations, which can spend unlimited amounts to influence elections without having to disclose their donors. This funding, known as "dark money," totaled nearly $1 billion over the past decade, compared with $129 million in the decade previous. The U.S. Chamber of Commerce is the country's largest dark-money spender.

**Influencing direct democracy.** Ballot initiatives at the state and local levels are designed to bypass politicians and place proposed legislation directly on the ballot for a vote. But even direct democracy, as it is often called, is not free from corporate political engagement.

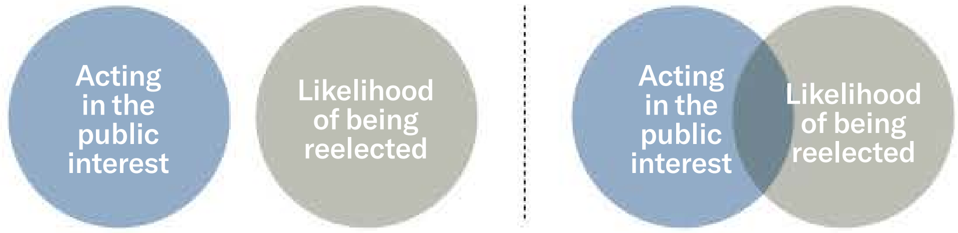
A study of eight high-profile state ballot initiatives in 2016 found that corporations outspent nonbusiness entities by a 10-to-one margin. And a study of the 2018 election cycle found that of ballot measures attracting more than $5 million in spending, nearly nine out of 10 were decided in favor of the side with more money. An example is California's 2016 Drug Price Relief Act, a ballot measure aimed at reducing U.S. prescription drug prices to match those paid by other countries for the same drug. While citizen groups raised $10 million in support of the act, drug companies spent more than $100 million opposing it. The measure was defeated.

**Involving employees in political activities.** Many companies also encourage their employees to vote for and donate to company-favored candidates or causes. Others encourage them to write to members of Congress in support

## How Competition Affects Results

In the current system, if our congresspeople do their jobs by acting in the public interest, they're likely to lose those jobs. Reengineering elections with final-five voting would incentivize elected officials to serve the public interest and hold them accountable for doing so.

**Current State:** *Unhealthy Competition* **Desired State:** *Healthy Competition*




of company-favored legislation. In a national survey, about one-quarter of workers reported that their employer had contacted them on political matters, and other surveys have verified that such employer activity is common. Some companies hold mandatory employee meetings to promote their political views or provide voter guides on favored candidates or policies. One *Fortune* 500 company, for instance, encouraged its thousands of employees to take an at-home civics course that argues against government regulation and taxes. Other tactics include distributing political flyers in employees' paycheck envelopes and providing incentives such as recognition and preferred parking spots for employees who donate to the corporate PAC. However, a survey we did of the general public found that only 21% of respondents considered it acceptable for companies to influence employee voting and political donations.

**Lack of transparency and governance.** At the same time, many companies don't disclose—or even actively obscure—their corporate lobbying and election-related spending, making it hard to know which legislators and legislation they support or oppose and which regulations they hope to influence. Effective lobbying efforts and complicit legislators have kept disclosure off the table. In 2015, rules proposed by the SEC to increase transparency of political spending by public companies were scuttled after congressional Republicans intervened. Political spending is also often not subject to board oversight, which has led to many examples of company political spending that is inconsistent with stated company policies.

## IMPACTS OF THE CURRENT MODEL

To explore the current thinking of business leaders on political involvement, we conducted a survey in 2019 of 5,000 Harvard Business School alumni, many of whom are now in leadership roles. When asked about the overall impact of corporate engagement in politics, nearly half the respondents said it improved companies' results. But only 24% said it improved the political system (by, for example, providing needed information to government), and more than half said that business was degrading the political system by reinforcing partisanship and favoring corporate special interests. When asked whether business's engagement in politics improves public trust in business, 69% said it did not.

Our survey also revealed a surprisingly uneven understanding among respondents of their own companies' political practices. A significant percentage answered survey questions as "not applicable," "neither agree nor disagree," or "don't know." This seeming lack of awareness may reflect an unwritten "don't ask, don't tell" culture that some companies favor around lobbying practices and other political activities.

**Eroding the business environment.** Companies' political involvement focuses primarily on influencing economic policies, regulations, and regulatory enforcement in ways that benefit particular industries, favor certain technologies, or advantage some companies over others. Special-interest efforts like these can boost profits but generally don't advance the public interest or improve the economy overall.

The politics industry has for decades failed to address major challenges in the U.S. business environment. For example, Congress has yet to create a plan to restore America's obsolete and inefficient physical infrastructure. There is still no coherent immigration policy, especially for skilled immigrants, who are crucial for business and have historically been a key to American competitiveness.

**Distorting markets and undermining open competition.** Corporate lobbying on antitrust policy is damaging to healthy competition. In pursuit of vigorous competition, the United States has historically enacted the strictest antitrust standards in the world. Mergers and acquisitions in the same industry, which by definition reduce the number of competitors and usually the intensity of rivalry in an industry and thereby raise prices, have long received particular scrutiny.

In recent years, however, lax interpretation and enforcement of antitrust rules has resulted in an unprecedented number of industry mergers in the United States. Today, Europe is often seen as having stricter antitrust standards than the United States does, a stunning reversal that weakens a crucial U.S. advantage. Why have antitrust standards weakened? A major reason is business lobbying. A recent study found that when lobbying expenditures directed at the Department of Justice and the Federal Trade Commission double, the number of antitrust enforcement actions in a particular industry falls by 9%—a sizable effect according to researchers. Such lobbying nearly tripled from 1998 to 2008.

A prominent contemporary example of potential corporate influence over antitrust standards is in big tech, where the nation's largest technology companies—Facebook, Amazon, Apple, and Alphabet—are under antitrust investigation. Since 2008, those companies alone have spent more than $330 million on federal lobbying, with antitrust a major focus.

**Eroding social performance.** Business has rarely thrown its weight and clout behind advancing the societal improvements our nation badly needs. Over the past 15 years, little substantial progress has been made on crucial social policy priorities such as quality public education, clean water and sanitation, reducing gun violence, improving housing, and others we discuss in the December 2019 Harvard Business School U.S. Competitiveness Report. By empowering partisanship and enabling obstacles to healthy competition, corporations have further undermined the performance of our political system. We may be approaching a turning point, however, as businesses increasingly share voters' frustration with the duopoly's failure to deliver sound policy.

In the absence of both independent regulation of the political-industrial complex and new competition, business is in a position to serve as a powerful force for meaningful change—by supporting, together with citizens, important innovations to the elections and legislative machinery and by reimagining its own role in the political system.

## THE POLITICAL INNOVATION IMPERATIVE

The Founders and Framers didn't pretend to know every detail about how our government would need to function. They took care, in our extraordinary Constitution, to provide for amendments and to delegate most of the power for elections machinery to the states and for legislative machinery to Congress. Thomas Jefferson observed the opportunity this created, writing that as circumstances change, our "institutions must advance also, and keep pace with the times."

Currently, most efforts to save our democracy revolve around a laundry list of reforms, from reducing money in politics to instituting term limits. We endorse some elements of the popular reform agenda, but many of its proposals either fail to address the root causes of systemic problems, or aren't viable, or both. Bottom line: They won't make a significant difference in the results the system delivers, so we must focus elsewhere.

Effective innovation in politics must be both powerful and achievable. Powerful innovations are those that address the root causes of dysfunction and incentivize political actors to deliver results in the public interest. Achievable innovations are those that are uncompromisingly nonpartisan (no "reforms" that serve as Trojan horses for partisan advantage) and can be accomplished in years, not decades. Constitutional amendments, for example, don't clear this bar.

The most powerful and achievable innovations for our political system involve reengineering the elections and legislative machinery.

**Elections machinery innovation.** In order to create a problem-solving ethos in Congress, we propose a new approach for congressional elections: *Final-five voting,* which would (1) replace closed party primaries with open, nonpartisan primaries in which the top five finishers advance to the general election, and (2) replace plurality voting with ranked-choice voting in general elections.

In a *top-five primary,* voters no longer cast their ballots in either a Democratic primary or a Republican primary. Instead a single, nonpartisan primary is open to everyone, regardless of party registration (unlike the current rules in many states that limit participation in the primaries to registered party members). All candidates from any party, as well as independents, appear on the same ballot. The top five finishers, regardless of partisan affiliation, advance to the general election. Instead of one Democrat and one Republican facing off in a head-to-head matchup in November, as is common today, the general election becomes a contest between, say, three Republicans and two Democrats; or one Republican, a Democrat, and three independents; and so on. Top-five primaries create a new way of determining who gets to compete and set up a broader competitive field of candidates for the general election.

*Ranked-choice voting* is then instituted in the general election. With ranked choice, candidates must receive majority support to win an election. Imagine, for example, a hypothetical election between our Founding Fathers (and a Founding Mother). When you arrive at the polling station, you receive a ballot with the names of the up to five primary winners. As is the case today, you pick your favorite—say, Alexander Hamilton. But you may also make a second choice (Abigail Adams), and a third, fourth, and fifth choice (George Washington, Thomas Jefferson, and John Adams).

After the polls close, the first-place votes are counted. If one candidate receives more than 50% of the first-place votes (a true majority), the election is over. But suppose Alexander Hamilton gets only 33% and Abigail Adams gets 32%? In today's plurality voting system, Hamilton would win. But with ranked choice, the election isn't over yet. Because no candidate received a true majority, the candidate in last place—let's say it's Thomas Jefferson—is eliminated. But votes cast for Jefferson aren't wasted; they are automatically transferred to the Jefferson voters' second choice. If enough of his supporters chose George Washington second, the redistribution of those votes pushes Washington over the 50% threshold, making him the ultimate winner with the broadest popular support.

Ranked-choice voting may seem unfamiliar, but it is not a new idea. In 2002, Arizona Senator John McCain urged Alaskans to support a ballot measure to adopt the innovation in that state. The same year, Illinois state senator Barack Obama sponsored legislation to adopt ranked-choice voting in state and congressional primaries. Although both proposals were ahead of their time, and neither passed, the window for change is now opening.

The final-five voting model—the combination of top-five primaries and ranked-choice voting in general elections—eliminates the "eye of the needle" and "spoiler" problems we described earlier. Thus we believe it is the most promising and effective way to create incentives for legislators to work in the public interest and to open congressional election fields to new and dynamic competition—the threat of which will hold elected officials more accountable to voters for results.

Final-five voting is less about changing who gets elected and far more about changing the incentives governing the behavior of those in office. It's about the benefits of healthy competition in the marketplace for public policy.

Let's recall a powerful example from a presidential race. In 1992, Ross Perot ran for president on a debt-reduction platform. Although many remember Perot as a spoiler, analysis by noted data-science journalist Nate Silver suggests that Perot drew votes equally from both parties and therefore didn't affect the election result.

But his candidacy was not without impact. Some 19% of voters were willing to "waste their votes" on Perot because his message of fiscal responsibility resonated so deeply. And though that wasn't enough to send him to the White House, those votes significantly influenced public policy. Without competition for his 19% of the electorate, neither Democrats nor Republicans would have had the political incentive to deliver the four balanced budgets we saw during the Clinton administration. Electoral competition delivered policy results without even changing who won. And it's worth noting that we've never had a surplus since.

By creating healthy competition, final-five voting delivers the best of free markets—innovation, results, and accountability. Call it *free-market politics.* These electoral changes are achievable, through state legislation or ballot initiatives, in a matter of years. If just five states sent delegations elected through final-five voting to Washington we'd have 10 senators and (depending on which states adopted the changes) upwards of 50 representatives elected with new incentives to tackle problems even if many were returning incumbents. These members could serve as a new fulcrum—taking action, compromising, solving problems, and bucking a binary stranglehold on governing.

Once our elections are healthy, the next step is to replace the bloated and outdated rules, practices, and norms of lawmaking with a modern approach designed from the ground up to foster cross-partisan problem-solving.

**Legislative machinery innovation.** Drawing on the time-honored management practice of zero-based budgeting (which requires that all expenses be justified on the basis of anticipated value, not historical precedent), we propose zero-based rule making. Put aside the Rules of the House of Representatives, the Standing Rules of the Senate, the Authority and Rules of Senate Committees, and more—all of which have been co-opted and weaponized over the decades to enable partisan control.

And put aside customs that create separate podiums, separate cloakrooms, and separate dining rooms for Democrats and Republicans and that seat the chamber according to party. Then start with a blank slate. This might seem like a tall order—near impossible given presumed constitutional requirements about how Congress runs. But in fact, just six short paragraphs in the Constitution are dedicated to how the House and Senate should work; the rest has been invented by the members over time. The House and the Senate rule books are hundreds of pages long, and many rules have been designed not to solve problems but to serve partisan power purposes. We need a new rule book, and to that end, we're engaged in early discussions with potential conveners for a commission on legislative machinery innovation.

Taken together, these critical innovations will inject healthy competition into the politics industry. Instead of the current perverse incentive structure, acting in the public interest will increase the likelihood of being reelected.

Business leaders should deploy their resources and influence to support these political innovations and, in parallel, reimagine business's own practices for political engagement.

## REWRITING THE BUSINESS PLAYBOOK

Efforts by business to play a positive and more visible role in society are growing rapidly. Companies and their CEOs, encouraged by major investors and leading business institutions, are beginning to adopt a corporate purpose that goes beyond maximizing shareholder value to benefit all stakeholders. They are doing more than merely reporting on environmental, social, and governance (ESG) standards, which has had limited impact, and are actually integrating social needs and challenges into core strategy—what we call *creating shared value.* Companies are recognizing that there need not necessarily be conflict between social impact and competitive advantage but, rather, a powerful synergy. *Fortune*'s annual list of Companies Changing the World provides leading examples.

The focus of business in addressing social needs thus far has been concentrated in such areas as reducing greenhouse gas emissions, improving employee health benefits, and, more recently, guaranteeing a living wage and improving training and career development for lower-income workers. These are welcome steps, but more must be done.

Are these winds of change, together with the failure of our democracy to solve many of our most important economic and social challenges, strong enough to fundamentally shift how business engages in politics? We think they must be. In the 2019 HBS alumni survey, we also posed a series of questions about how businesses should approach the political system going forward. Alumni said they supported changes that would strongly alter the playbook: spending less on lobbying and elections, ending the revolving door, and disclosing political spending. (In a survey of the general public, respondents expressed similar sentiments.) The questions and standards included in the alumni survey were by design simplistic and black-and-white, and

## An Emerging Consensus

In 2019, we conducted a survey of Harvard Business School alumni and found overwhelming support for changes that would dramatically alter business's role in politics. The survey questions were by design simplistic and black-and-white, but they hint at an emerging consensus.

| SURVEY QUESTION | Agree | Disagree |
|---|---|---|
| Companies should engage with politics to improve the overall business environment and advance the public interest, not to support special interests that reduce standards or distort competition. | 74% | 13% |
| Trade associations should focus more on improving the overall business environment and less on advancing the interests of member companies. | 69% | 17% |
| The business community (both companies and trade associations) should spend less on lobbying. | 67% | 12% |
| Companies should reconsider corporate spending levels on elections and should channel support to problem-solving candidates, not partisans. | 59% | 26% |
| Companies should no longer encourage employees to vote for the companies' preferred candidates in elections. | 81% | 9% |
| Companies should no longer encourage employees to contribute directly to the companies' preferred candidates in elections. | 81% | 8% |
| Companies should cease buying favorable outcomes on ballot measures through heavy spending. | 73% | 14% |
| Companies should stop supporting the revolving door of former government officials joining companies for lobbying purposes. | 74% | 11% |
| Companies should be more transparent about the nature of lobbying, election spending, and other political-engagement practices. | 88% | 4% |
| The business community should actively support reforms that reduce partisanship and align election, governing, and campaign finance rules (among others) with democratic principles. | 79% | 8% |

Rows do not add up to 100% because some alumni selected "neither agree nor disagree" or "don't know" as a response.

will benefit from significant development to be useful in practice. Still, they hint at an emerging consensus on a new role for business in politics.

Breaking from traditional corporate political practices is sure to trigger some controversy, and we realize that it is far easier for executives to fill out a survey than to change behaviors. Nevertheless, the declining trust in business, the increasing desire of younger employees and managers to work for companies that play a positive role in society, and the embrace of corporate purpose create an opportune time. Encouraged by these survey results, our continued research, and conversations with business leaders, we call for a vigorous discussion of new voluntary standards for corporate engagement with politics and government. We are confident that more-refined standards would receive even higher levels of business support than those outlined in our initial survey, and we believe this endeavor will be welcomed by many key stakeholders.

THE COVID-19 PANDEMIC is unfolding as we write this, and the response must be of unprecedented scale. We must also not fail to learn our lesson from the political failures that preceded and accompanied the crisis. After the fact, expensive recovery efforts necessitated by devastating and preventable mistakes—and in the case of Covid-19 an as-yet-unknown number of casualties—must not be the best we can do.

There is no greater threat to American economic competitiveness and social progress—no greater threat to the combination of free-market economies and liberal democracies that has delivered more human advancements than any other system—than our passive acceptance of a failed political system. Business leaders would not tolerate such performance in any of their organizations. Rather, they would diagnose the problem, design a solution, take action, and fix it. Business leaders, right alongside other citizens, can and must do the same for our politics. Now.

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# Experience

Advice and Inspiration

MANAGING YOURSELF

## GROWTH AFTER TRAUMA

### Five steps for coming out of a crisis stronger

by Richard G. Tedeschi

**WHAT GOOD CAN** come of this? In times of stress, crisis, or trauma, people often ask that question. This year we've been hit by a pandemic that has caused hundreds of thousands of deaths, unprecedented unemployment, and a global economic downturn. In the face of such a tragedy—personal and collective—it might appear that the answer is "Nothing."

However, at some point we will be able to reflect on the long-term consequences of this terrible time and what it has wrought for each of us as individuals and for our organizations, communities, and nations. Almost certainly those

*Illustrations by* MICHELE MARCONI

taken to keep things going. For example, I know an IT employee of a food service company that laid off most of its workers earlier this year. As one of the few to remain, she was forced to work in functions and areas she'd never touched before, which was a struggle. But she soon realized that unencumbered by the usual bureaucracy and turf battles, she could ferret out inefficiencies and find ways to improve on old procedures.

outcomes will include some good along with the bad. Over the past 25 years psychologists like me have been studying this phenomenon. We refer to it as *posttraumatic growth*.

We've learned that negative experiences can spur positive change, including a recognition of personal strength, the exploration of new possibilities, improved relationships, a greater appreciation for life, and spiritual growth. We see this in people who have endured war, natural disasters, bereavement, job loss and economic stress, serious illnesses and injuries. So despite the misery resulting from the coronavirus outbreak, many of us can expect to develop in beneficial ways in its aftermath. And leaders can help others to do so.

Although posttraumatic growth often happens naturally, without psychotherapy or other formal intervention, it can be facilitated in five ways: through education, emotional regulation, disclosure, narrative development, and service. As a researcher and a practicing psychotherapist, I (and my colleagues) have helped hundreds of people emerge stronger from suffering in these ways. You can emerge stronger yourself. And you can serve as what we call an *expert companion* for others, encouraging introspection and curiosity, actively listening, and offering compassionate feedback.

## THE ELEMENTS OF GROWTH

Here are the five ways in more detail:

**Education.** To move through trauma to growth, one must first get educated about what the former is: a disruption of core belief systems. For example, before the pandemic, many of us thought we were safe from the types of diseases that endangered people in the past; that bad things happened in other parts of the world but not ours; and that our social and economic systems were resilient enough to weather all storms. None of that was true. So now we need to figure out what to believe instead.

When our assumptions are challenged, it is confusing and frightening and tends to produce anxious, repetitive thinking: *Why did this happen? Who's in control? What should I do now?* We are forced to rethink who we are, what kind of people surround us, what world we live in, and what future we will have. It can be extremely painful. But as research shows, it can also usher in change that will be of value. We must begin by learning and understanding that truth.

I once counseled a woman who, in her thirties, was disabled by a stroke and initially struggled to cope. But she soon understood that her changed circumstances would require her to reevaluate her identity: "Now I have to figure out what is next in this life I never thought I would be living. Part of me doesn't want to think I have to do this, but I know I do." That was the first step in her becoming a person with more compassion for herself who could accept limitations without being limited by them.

As we move through the current health and economic crisis, consider how you can reinforce—to yourself and others—the recognition that it may have a positive as well as a negative impact. Remember that you and others in your team and organization can reimagine how you operate and innovate in new circumstances. That may already be evident in the emergency measures

**Emotional regulation.** To do any learning, one must be in the right frame of mind. That starts with managing negative emotions such as anxiety, guilt, and anger, which can be done by shifting the kind of thinking that leads to those feelings. Instead of focusing on losses, failures, uncertainties, and worst-case scenarios, try to recall successes, consider best-case possibilities, reflect on your own or your organization's resources and preparation, and think reasonably about what you—personally and as a group—can do.

For the founder of one dining chain, emotional regulation was crucial after his board ousted him from the CEO role. As he wrote in HBR ("Crucible: Losing the Top Job—and Winning It Back," October 2010), the news came as a complete shock, and he was furious at first. But when his father, also an investor, told him to "get [his] head around being supportive," he did. Instead of focusing on his anger and the feeling that he'd been betrayed, he started thinking about how he could stay calm and professional and help the business going forward. He eventually returned to lead the company.

You can regulate emotions directly by observing them as they are experienced. Physical exercise and meditative practices such as breathing also help. Employ these techniques yourself and share them to help others. Acknowledge that circumstances continue to be both challenging and frightening; then demonstrate poise under that pressure. And encourage more-frequent

## Negative experiences can spur positive change, including a recognition of personal strength, a greater appreciation for life, and spiritual growth.

communication so that people feel less isolated and see their collective emotional strength more clearly.

**Disclosure.** This is the part of the process in which you talk about what has happened and is happening: its effects—both small and broad, short- and long-term, personal and professional, individual and organizational—and what you are struggling with in its wake. Articulating these things helps us to make sense of the trauma and turn debilitating thoughts into more-productive reflections.

If you're helping someone talk about what it's been like to experience this crisis, asking a lot of questions can seem like an intrusive interrogation spurred by curiosity rather than concern. It's best to focus on how the impact feels and which of your counterpart's concerns are most important.

A case study comes from a former client. A talented developer getting established in a new company, he created a program that had great promise. But then his bosses hired someone from the outside to run it, asking my client to report to him. Led by this manager, the program underperformed, and the developer was being blamed, damaging his reputation and career prospects. Finally he went to HR. "I wasn't sure if this was the right move," he told me, "but I needed to get some advice." Talking to the HR representative was cathartic, and he ended up telling her more than he'd planned to, because she asked questions such as "What did it feel like to have this project taken from you and essentially messed up?" She then worked to help him recover from that big professional setback.

It is important for you as a colleague and a leader to understand the varying impacts the pandemic and the ensuing market volatility, layoffs, and recession have had and continue to have on the lives of those around you. Start by speaking openly about your own struggles and how you are managing the uncertainty. You can then invite others to tell their stories, and listen attentively as they locate their difficulties and come to terms with how their challenges and losses compare with those of others.

**Narrative development.** The next step is to produce an authentic narrative about the trauma and our lives afterward so that we can accept the chapters already written and imagine crafting the next ones in a meaningful way. Your story—and the stories of people you're helping—can and should be about a traumatic past that leads to a better future.

Consider a nonprofit executive who had been fired from two previous positions over sexual harassment allegations. One night, as he and his wife were driving on the interstate, they were involved in a horrific crash, plowing into a stopped vehicle that didn't have its lights on. His wife's injuries were minor, but he was left comatose for a month and needed a year of rehabilitation to walk and talk again. His new narrative went something

like this: "Many would think it was this accident that put my life in jeopardy. But I was already in great danger. I was causing pain to others, ruining my career, and heading for a life without my wife or children. The accident forced me to stop, created time for reflection, and showed me what love really is."

When you're ready, start to shape the narrative of this year's trauma for yourself and your organization. How has it caused you to recalibrate your priorities? What new paths or opportunities have emerged from it? Look to famous stories of crucible leadership involving people such as Oprah Winfrey and Nelson Mandela, and companies such as Chrysler and Johnson & Johnson, that have emerged from crisis stronger. They are examples of posttraumatic growth. Study and derive hope from them and remind those connected to you to do the same.

**Service.** People do better in the aftermath of trauma if they find work that benefits others—helping people close to them or their broader community or victims of events similar to the ones they have endured. Two mothers I know who'd each lost a child started a nonprofit to help bereaved families connect with others who understood their grief. Forty years later the organization thrives under the leadership of people who have faced similar losses and want to share the strength they've gained.

Another great example of service comes from Ken Falke, who was a bomb-disposal specialist in the U.S. Navy for more than 20 years. Having seen the wounds of war firsthand, he wanted to help others recover. He and his wife, Julia, began by visiting hospitalized combat veterans, but they felt that wasn't enough. So they founded the organization where I now work: the Boulder Crest Institute, which has based its Retreat for Military and Veteran Wellness programs on the posttraumatic growth model.

Of course, you don't need to start a nonprofit or a foundation to be of service. Focusing on how you can help provide relief during the continuing crisis—whether by sewing masks or producing content, stocking shelves or retraining teammates, supporting small businesses or agreeing to a temporary pay cut—can lead to growth. So can simply expressing gratitude and showing compassion and empathy to others.

How you and your group turn to service will determine whether you see the pandemic and its fallout as an unmitigated tragedy or as an opportunity to find new and better ways to live and operate. Maybe you can see how to ensure that similar emergencies are handled better in the future. Perhaps you can help those most seriously affected. Look for personal and shared missions that energize you and help you find meaning.

## THE BENEFITS

Hopefully, through this process, you and your teammates or organization

> Trauma can help forge new relationships and make people more grateful for the ones they already have.

will experience growth in one or more of these areas:

**Personal strength.** People are often surprised by how well they have handled trauma. They are left better equipped to tackle future challenges. That can apply to teams and organizations, too. Groups often come through such trials with a clearer picture of their collective knowledge, skills, resilience, and growth potential.

Take, for example, a restaurant owner who opened up his new place this past January. By March social distancing policies meant that his entire plan needed reconfiguring. He thought about laying off his staff, waiting for the pandemic to pass, and starting over. But he surprised himself by instead recommitting to the venture and engaging all his employees—from the kitchen and wait staff to his business team—to see if together they could find a way to proceed.

**New possibilities.** When new realities prevent the resumption of old habits, roles, and strategies, we must adapt and innovate. Leaders must have the courage and enthusiasm to test these new paths and show their people that change is to be embraced rather than feared.

The restaurant owner encouraged his group to invent a business that would draw on the resources they had—both personal and material—and allow the enterprise to survive. They began taking inventory of one another's skills and experiences and rose to the challenge of redesigning their work.

**Improved relationships.** These are often born of the need to give and receive support through trying times. Trauma can help forge new relationships and make people more grateful for the ones they already have. Coming through a crisis together is a bonding experience.

This happened quickly with the restaurant employees. They began to fully appreciate the value that each one of them brought to the table. People who had hardly known one another three months earlier became closer and began functioning as a tight and flexible team.

**Appreciation for life.** When confronted with fear and loss, we often become better at noticing what we still have but may have previously overlooked. Leaders can model this by acknowledging that fundamental things about living and working are to be valued. *We have a great team. Our customers appreciate the work we do. We've kept the business alive for the benefit of all who still work in it. Our organization strives toward a higher purpose.* Even something as mundane as remarking that your morning coffee tastes good counts.

Aware that most others in their industry were losing jobs, everyone at the restaurant agreed to stay on for less pay so that no one would be let go. All felt grateful to still be employed, no matter what role they might play in the revamped business. None seemed to consider any job beneath them. They appreciated having an opportunity to keep doing something worthwhile.

**Spiritual growth.** This comes from reflection on the "big questions" that are often ignored in the routine of daily life. The challenges to core beliefs that we encounter in trauma often force people to become amateur theologians or philosophers to design a life worth continuing to live. Organizations, too, can be confronted with existential questions: Are we conducting our business ethically? Do we practice the principles we preach? Should we be doing something else with our valuable time and resources? What is our contribution to the betterment of society? What is the primary motive for our ongoing existence? It takes courage and foresight for leaders to open up such issues to scrutiny.

The restaurant team decided that the business should be a hybrid: part grocery store, part food prep and takeout or delivery service, and part warehouse and distribution point for donations to the local food pantry. The owner and employees wanted to serve the community and knew they would build goodwill as a by-product. They were positioning themselves for short-term survival and long-term success. Any person, team, or organization can do the same.

If you're thinking this is all too optimistic or naive, you may still be too close to the tragedy of this pandemic. That may also be true of others around you. So be patient as you work through and facilitate the process of posttraumatic growth. Those of us practicing in this field know that timing is crucial. Growth can't be forced, and it can't be rushed.

However, when you and others are ready, it is worth the effort. Let's make sure that we derive something positive from this time of struggle. The possibilities for personal and collective growth should not be squandered.

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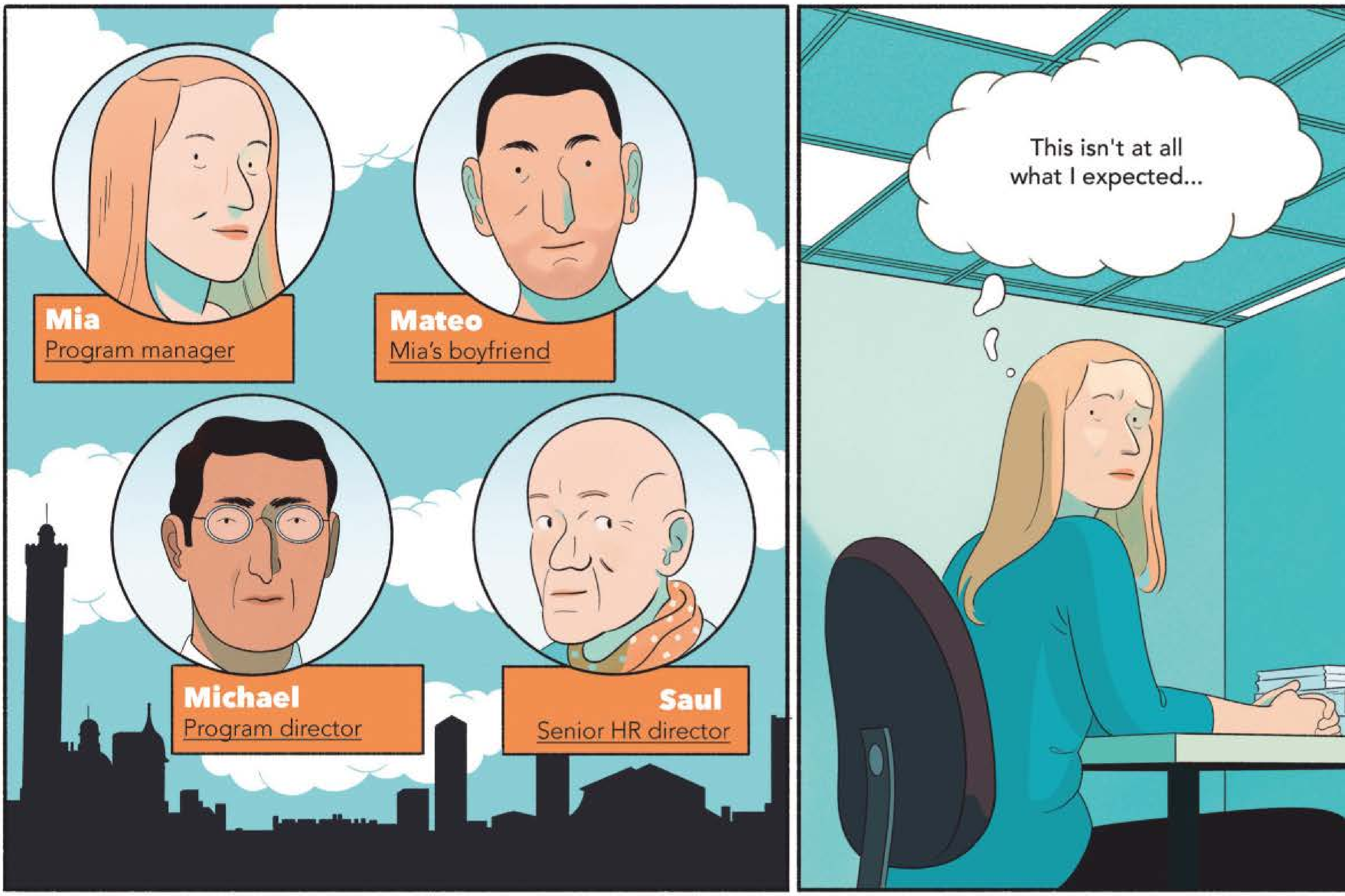



# CASE STUDY
## Stick with a Bad New Job or Cut Your Losses?

by Marcello Russo and Gabriele Morandin

*HBR's fictionalized case studies present problems faced by leaders in real companies and offer solutions from experts.*

MIA RICCI'S FIRST day was off to a bad start. She'd been excited about her new role as a program manager at Rescue, the oldest and largest aid organization fighting global poverty. She'd risen early; walked her dogs; eaten breakfast with her boyfriend, Mateo; packed a lunch; and still managed to get to the office before 9:00. She'd thought arriving early would make a good impression.

When Mia walked into the lobby, she saw a few familiar faces from her previous visit, but the receptionist was the only one to greet her. His name was Anthony, and although she thought they'd bonded last time, he looked up at her quizzically. "Can I help you?" he asked.

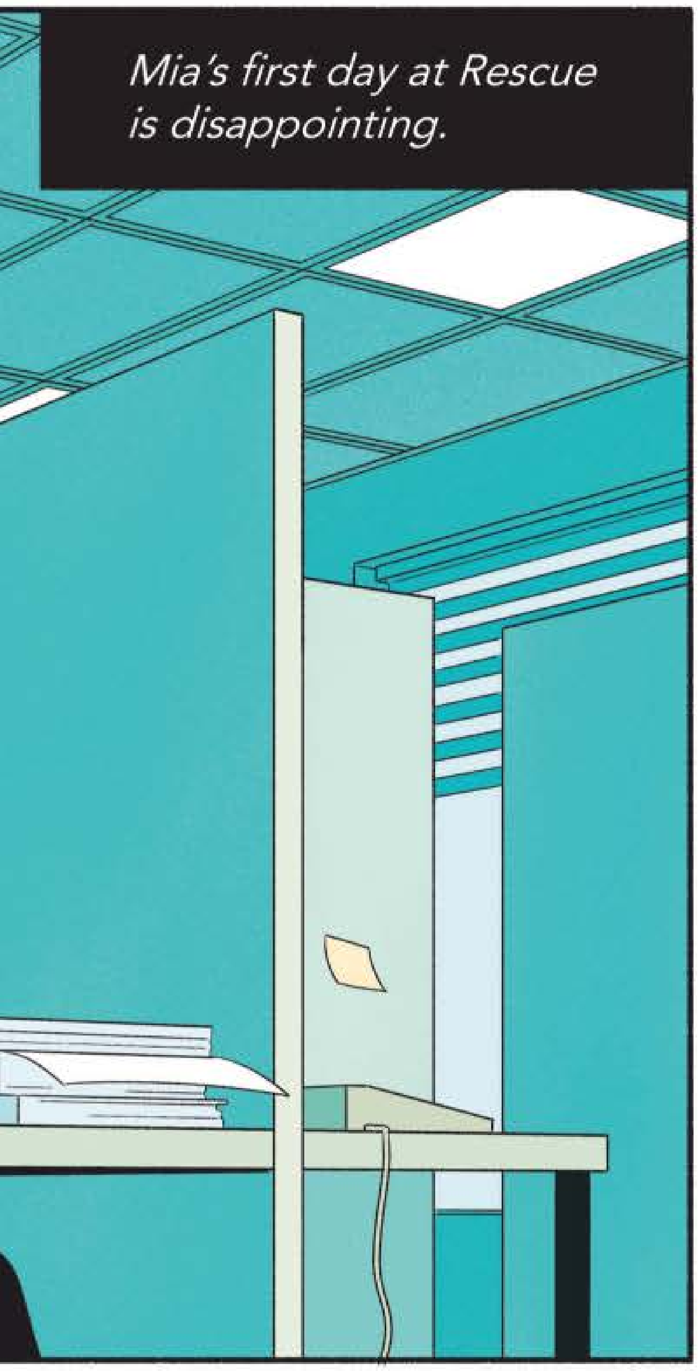
"It's great to see you again," Mia said. "I'm Mia, the new program manager."

"Oh, right," Anthony said, unsmiling. "Take a seat, and I'll give you some paperwork to fill out while I grab your manager. It's Michael, right?"

Mia had been in the building for less than five minutes and already she felt discouraged. Things didn't improve from there. Anthony couldn't find Michael, so he escorted her back to a dim room full of cubicles. The one



*Illustrations by* BIANCA BAGNARELLI




person already there, a support team coordinator named Jessie Carbone, introduced herself quickly, explained that IT hadn't set up Mia's desk yet, suggested that she sit at a vacant workstation, and went back to typing.

At 10:30 Michael finally stopped by to hand Mia a stack of reading material and explain that his day was packed but he hoped to catch up with her later that afternoon. He never did.[1]

Mia spent five hours coordinating with HR and IT via her cell phone and personal email account. She ate lunch at the borrowed desk. A few other employees came in and out during the day, and she smiled warmly and waved, but no one seemed to know who she was. Finally a technician arrived with a laptop and a monitor, which he installed at the desk farthest from the window.

Mia found herself thinking wistfully about her previous workplace, Azzurro, a start-up that used IoT-enabled container sensors to help retail businesses better manage waste. She'd joined it just after graduating from the University of Bologna with a degree in international management and had been promoted to business analyst in less than four years. She liked the work and the people.

But then she met Saul Rizzo, a senior HR director at Rescue, at a networking event. He mentioned a role at the organization's new outpost in Bologna—one of its 92 offices worldwide—and Mia was immediately intrigued. The job would include setting up data and reporting systems and working with a seasoned Rescue manager to outline critical business processes and identify key performance indicators.

At an interview a few weeks later, Saul had offered her a salary nearly double what Azzurro was paying her and promised that she would not only have a personal growth plan but also be able to work on the ground once a month helping populations in crisis. It had seemed like a no-brainer to make the move. Mateo agreed.

Now, considering whether she should book a meeting with Michael for the next day—basically forcing him to onboard her properly—Mia wondered if she'd made the right decision.[2]

Just then she got a text from Mateo: "How was it???"

She replied with a thumbs-down emoji and "I need a drink. Let's meet at the usual spot."

## VENTING

"It was a disaster," Mia said after recounting her workday. Mateo nodded empathetically.

"Do you think I made a mistake? I mean, I really liked Azzurro, but the humanitarian work sold me on Rescue."

"Don't forget the pay!" Mateo said jokingly. Mia sighed. As the primary breadwinner in their household (Mateo was a struggling artist), she was already feeling the pressure.[3]

"Seriously, though," he went on. "It's too early to know. It's such a different culture, and Rescue is a huge organization. How many employees did Azzurro have?"

"A hundred," she said. "Rescue has thousands."

"Right. And they're just setting up this branch. It may be a particularly chaotic time."[4]

"It's just so weird to have no official welcome, no onboarding, not even any real assignment. I've spoken with Michael only twice—on the phone during the interview process and very briefly this morning. You'd think he'd want to at least have a conversation with me on my first day."

"I'm sure it was an anomaly," Mateo said. "Tomorrow will be better. Rescue is reputable, and on paper this is a good career move."

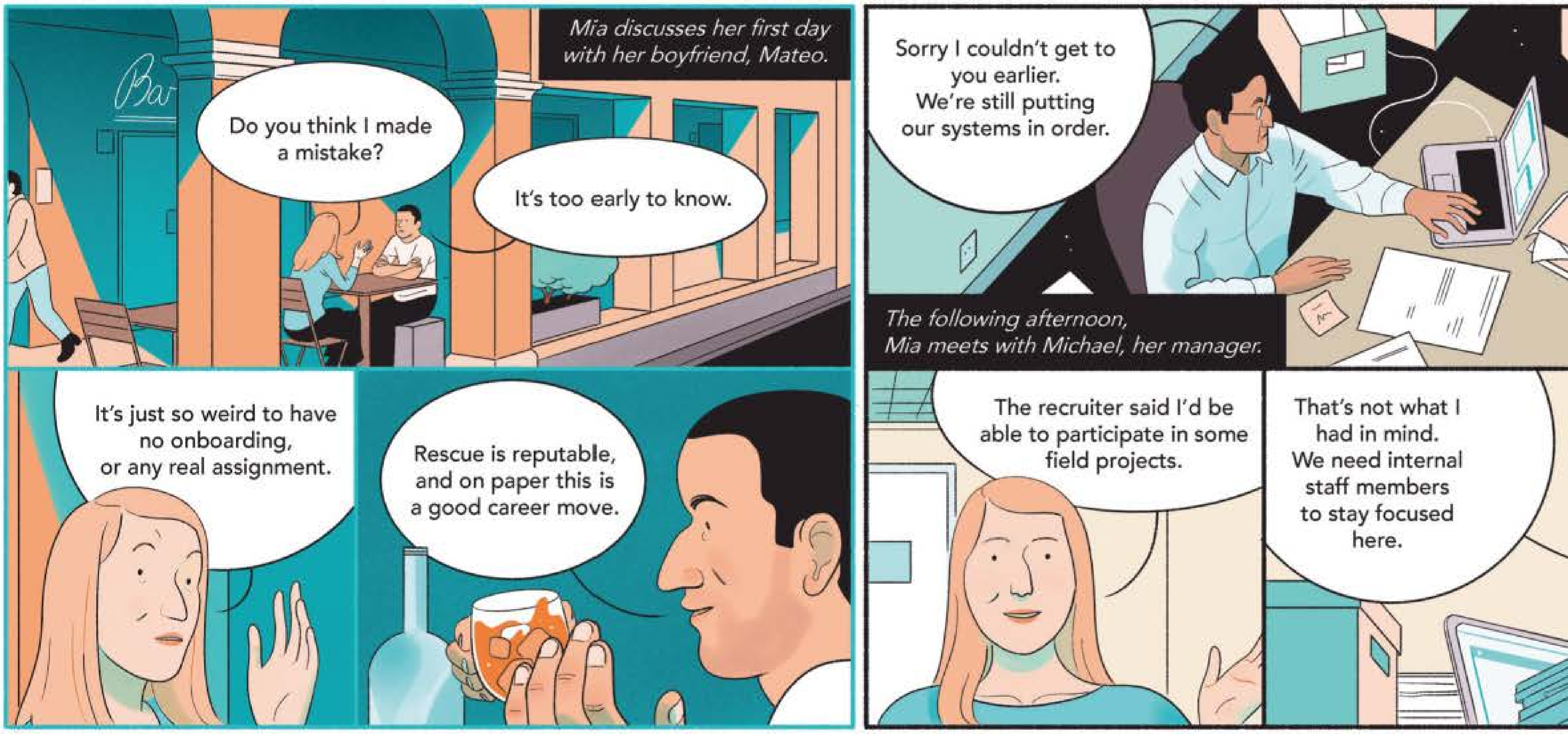
### Case Study Classroom Notes

**1.** *Studies show that people ignored by their managers feel more alienated than those who are overtly treated poorly.*

**2.** *A primary reason new hires leave is bad onboarding. And organizations with standardized processes to welcome employees see 62% greater new-hire productivity and 50% greater new-hire retention.*

**3.** *People under stress often suffer from emotional exhaustion, making it hard to find the energy to change their situation.*

**4.** *How much slack should Mia give Michael because the office is newly opened?*




**5.** *Some HR experts say that before starting a new job, people often focus more on the potential of their role than on the actual tasks they'll be doing—which is why they are often disappointed.*

**6.** *How should Mia approach a boss who is shutting her out?*

"I know, I know. You're right." Mia gulped her wine. She just couldn't shake the feeling that something was off.

## AN ANNOYING ASSIGNMENT

The following afternoon Mia finally met with Michael. "Mia, welcome," he said brusquely. "Sorry I couldn't get to you earlier—I've been tied up in strategy meetings. As you can see, we're still getting our systems in order. Let's talk about your first project."

He said he wanted her to audit the processes of three departments—warehouse, supply chain, and delivery—that were essential to Rescue's missions. Each unit combined employees transferred from other Rescue offices and recent hires brought in to help experiment with new strategies. Mia's job was to see whether those strategies were more efficient than Rescue's current ones.

The assignment was not what she had expected, but she nodded and smiled.

"Anything else?" Michael asked, turning back to his laptop.

"Actually," Mia said, "when I was recruited, Saul mentioned that I'd have a chance to participate in some field projects."

Michael looked surprised—and a little annoyed. "Hmm. I don't mean to disappoint you, Mia, but that's not what I had in mind for this position. We're just building this operation, and we need internal staff members to stay focused on their responsibilities here."

He shook his head. "I'm sorry, but I don't see that happening anytime soon."

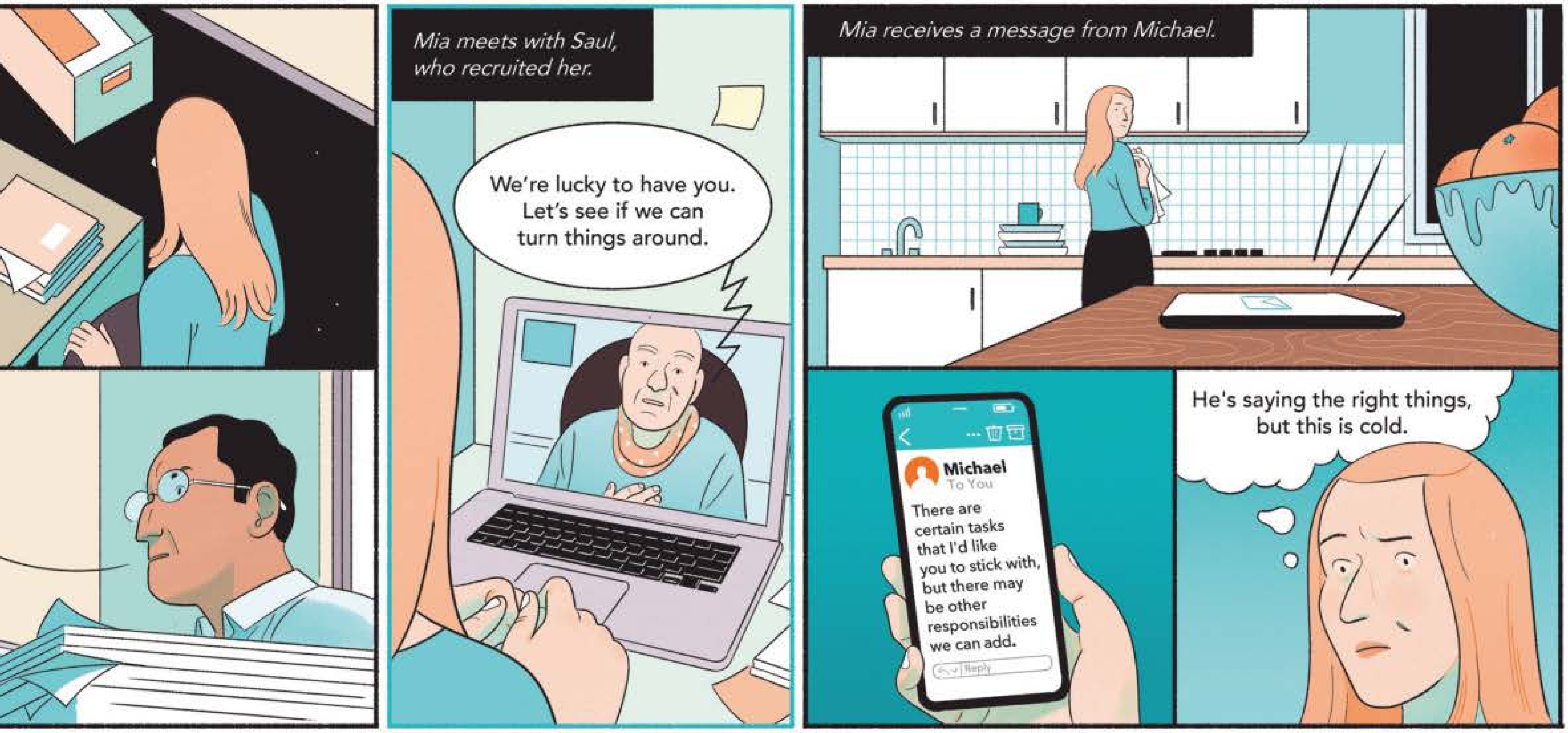
"OK," Mia said, trying to hide her dismay.[5]

## MORE FRUSTRATION

Mia spent the next three weeks toiling away at the auditing project, but it wasn't easy. Michael had forgotten to introduce her to a few department heads, so although some were friendly and forthcoming, others ignored her repeated emails or only reluctantly shared information. She'd asked Michael for advice several times, but he'd basically blown her off. And when her work was finished, it took her five days to get half an hour with him to present her findings. He'd been complimentary but then asked her to track some new metrics. She asked about broadening the scope of her duties, but his phone rang, and he waved her away. "Sorry, I have to take this. Let's discuss next time we meet."[6]

Desperate to confide in someone besides Mateo, Mia asked Jessie if she'd ever had any problems getting Michael's attention.

"It's not his fault," Jessie said. "It's this organization. It's just such a bureaucracy. He has to




run every new idea up the food chain. We're always short-staffed because they're always opening new offices. And they move people around so much that everyone's constantly in learning mode, trying to get up to speed on a new geography. Don't get me wrong—we do amazing work out in the field. We do help people. But inside, it's a slog."[7]

"Do you ever get involved in that outside work?" Mia asked.

"Oh, no. We're the back office. Our job is to help the people who are experts at fieldwork do theirs."

Her heart sank. Mia decided she'd email Saul and request a video call. To her surprise, he replied within the hour and said he had 30 minutes free at 5:00.

Mia was determined to be up-front about her disappointment. She outlined how unnecessarily difficult her initial assignment had been and how rarely she interacted with Michael, even though she thought part of her job was to partner with him on performance indicators. "Plus he doesn't seem open to my doing any direct humanitarian work, even though that was a big pull for me," she said.

Saul looked concerned. "I know, and I mentioned that to him. My sense is that the audits are just the first step and that you'll get into the more interesting work soon. He may have forgotten our discussion because things are so hectic right now." He asked her to be patient and promised to talk with Michael. "We're lucky you're here, Mia. Let's see if we can turn things around."[8]

## AN AMBIGUOUS MESSAGE

That evening Mia was doing the dishes after dinner when her phone signaled a new email. It was from Michael. She called Mateo into the kitchen to hear the message: *"Dear Mia, I'm writing to let you know that I spoke with Saul this evening. We discussed your role and the misalignments that resulted in a negative experience for you. Given the demands of my role, it's difficult for me to meet regularly with all the members of my team, but I'm happy to set up a weekly check-in to support you. There are certain tasks that will greatly benefit the organization that I'd like you to stick with. But there may be other responsibilities we can add that would be more in line with your interests. Best regards, Michael"*

"Hmm," Mateo said. "Is he sorry for being such a bad boss since you started, or is he angry at you for talking to Saul?"

"I'm not sure," Mia replied. "He's saying the right things, but it's such a cold, formal email, so I can't help feeling that he sent it only because he got in trouble. Maybe going over Michael's head was a mistake."[9]

*7. Is Mia's negative experience due to poor leadership, onboarding, organizational structure, or all three?*

*8. Are Mia's expectations too high?*

*9. Leadership experts say it's a good idea to try to talk to a new boss about your struggles. But they also say that bad managers are rarely open to hearing feedback about their failings.*

"Well, you've tried talking to Michael and didn't get anywhere. And it's clear he didn't understand what Saul promised you, so they needed to have a conversation. Even if he's saying all this under duress, at least he's saying it."

"But can I trust him? Can I trust the organization? It has such a great reputation, but from the inside it seems like a mess."

Mateo hugged her. "You've never been the kind of person to settle," he said. "If it's that bad, maybe it's time to cut your losses."

"And do what? I need a job."

"Of course. We rely on your income. But what did your boss say when you left Azzurro? She said you could always come back."

"Doesn't everyone say that?"

"No. They loved you there."

Mia smiled, but she was still conflicted. "I guess I could reach out to recruiters, too."

"See—you have options."

"I know. I need to think more about what I'm going to do."

"Well, I'm here to talk whenever you need to. I'll support your decision."

MARCELLO RUSSO *is the global MBA director at Bologna Business School in Italy and an associate professor of organizational behavior at the University of Bologna.* GABRIELE MORANDIN *is an associate professor of organizational behavior at the University of Bologna and an associate dean at Bologna Business School.*


# Should Mia stick it out or look for a new job?

## THE EXPERTS RESPOND

LAUREN BARRACO *is the head of product marketing at Sendoso.*

### If you don't like your current situation, you have the power to change it.

I would encourage Mia to actively start looking for another job. She needs to reframe her negative experience at Rescue as an opportunity to consider what will really make her happy. Does she want to be more involved in a career track that includes fieldwork? Is an office environment with natural light and standing desks (as opposed to a dark space filled with cubicles) important for her mental health?

We already know she's a marketable candidate. She was recruited and offered twice her salary to work at a respected nonprofit. And because she has a steady income, she has time to be strategic and consider other job options. Looking for a job is like a job in itself, but it will be worth it if Mia can find one better suited to her goals and personal needs.

I experienced a similar situation. A few years ago I joined a prestigious news outlet. Like Rescue, it was a large organization with serious bureaucracy problems. Processes weren't streamlined, and people needed approvals at many levels to get things done. This lack of agility meant that the organization struggled with employee development.

As a result, my manager and I had different expectations regarding my role. Mia is facing the same thing. In a bureaucracy, without a supportive boss, it can take months, even years, for the situation to change. And Michael's icy email implies that he already resents Mia for going over his head—a red flag that suggests he may not be open to change. Even if his reasons are justified, their relationship will probably continue to be emotionally exhausting for Mia.

What Mia *can* control is how she reacts. She can think about what she's looking for in a work environment and culture and outline where she wants to be in five to 10 years. She can update her résumé and craft a story to explain her short time at Rescue. I'd recommend that she tell an honest one: "I was recruited, but in the end there were some misalignments between the role I was told I'd be taking on and the work I was doing." She doesn't need to go into a lot of detail.

I left the news outlet years ago and found a job at a much smaller company that was a better cultural fit. I was also given more leadership opportunities, which allowed me to launch my long-term career. Later on I learned that the structural problems at the news outlet ended up hurting the business because it couldn't keep up with changing technologies.

If Mia stays at Rescue, she risks spinning her wheels and halting her professional development. She needs to be a self-starter and put her happiness first.

**DANIELLE PIENDAK** *is the director of individual giving administration and donor information at the 92nd Street Y.*

## Mia should stick with Rescue for a bit longer.

She is only a month in and needs to give it more time. Change always comes with some challenges.

I'd encourage her to revisit what originally drove her to take this role. First, the organization is very much more in alignment with her interest in humanitarian work than Azzurro was. And although she is understandably excited by the prospect of actually working in the field, she will soon learn how crucial internal support staff members like her are to making this work possible. Nonprofits today depend on strong data and analytics to remain competitive in their fields and to present valid, evidence-based reporting to their partners.

Second, this role is more challenging than her previous one was. She is taking on new and different responsibilities, which naturally come with a period of discomfort. But that's normal. At the end of the day, this job is going to stretch her in ways that her previous role didn't. She will walk away with a much broader skill set in a field she is passionate about.

Without putting the blame on anyone in particular, it appears that there were some failures in the interview process that have led to a misalignment between Mia's expectations and Michael's. It doesn't seem to me that this is the result of poor leadership or an issue of organizational structure, either of which would be of greater concern.

As written, Mia's job description—setting up data systems and identifying key performance indicators—is a very internal one. If we could go back a month, I would caution her to take a closer look at what exactly she was being hired to do and to clarify her day-to-day responsibilities. For example, "Does identifying KPIs mean I'd be going into the field, or would that work take place in the office?"

What Mia can do now is revisit that job description to see whether it matches the tasks she's been assigned so far. Recruiters do sometimes make promises to expand roles when they are trying to draw in candidates. Since Mia was indeed promised fieldwork by Saul, Michael has a responsibility to follow through. When and how that will happen needs to be made clear.

It's a good sign that Michael addressed this issue head-on, even if he did so in an email. He may have been doing it grudgingly, but he seemed to be offering Mia an olive branch and a chance for the two of them to get on the same page.

If Mia chooses to stick it out for at least six months, she can take small, proactive steps to improve her situation. It is Michael's responsibility to make time for weekly check-ins, but it is Mia's responsibility to set the agenda for those meetings. Before going into them, she should outline what she wants to discuss, including questions she has about upcoming projects and how to overcome challenges she may be facing. She needs to take the initiative to get guidance from Michael rather than waiting for him to offer it.

Even if we weren't in the midst of an economic downturn, I'd advise Mia to stay on for now. If she is still unhappy in the role after six months, maybe she does need to think about other possibilities. But she will walk away with a stronger résumé and a better skill set, which will position her to have more options.

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**Reprint Case only** R2004X
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SYNTHESIS

# TRUE FRIENDS AT WORK

## The case for making deeper connections with colleagues

by Alison Beard

TED BYRD WAS my first work best friend. When I joined the *Free Lance-Star* newspaper as a cub reporter, we immediately bonded. We'd attended the same university (albeit a decade apart); we both liked to run in the mornings and drink wine on Friday nights. More important, we enjoyed working together. We shared ideas, advice, annoyances, and jokes. He made my professional—and personal—life better.

Since then I've developed other deep friendships through work. At the *Financial Times,* I met Rebecca Knight, who 20 years later feels like a sister, and David Baker, who was the first nonfamily member to see an ultrasound of my son and who last year entertained him, then age 11, with magic tricks. At HBR, I have Dan McGinn, Scott Berinato, and Amy Gallo—people who know me, my work, and my life extremely well.

I'm one of the lucky ones. As a trio of 2020 books show, work friendships yield many benefits. In ***Social Chemistry,*** Yale professor Marissa King explains that your social connections are a strong predictor of your cognitive functioning, resilience, and engagement. She cites studies showing that teams of friends perform better; that people with supportive coworkers have more work/life balance and are less stressed; that strong personal ties increase information- and idea-sharing, self-confidence, and learning; and that those who have close friends at work are more efficient in and satisfied with their jobs. She points to research by Tom Rath suggesting that if one of your colleagues is a "best" friend, you're seven times more engaged at work than the average person.

In ***Together*** the former U.S. surgeon general Vivek Murthy calls friendship fundamental to successful professional relationships, adding, "It's in our relationships that we find the emotional sustenance and power we need to thrive." And in ***Friendship,*** an exploration of the "evolution, biology...and power" of these bonds, the sociologist Lydia Denworth writes that they give us purpose, meaning, and a more positive outlook. The mere presence of



Illustration by STUDIO IANUS

a friend can make it easier to tackle challenges, she explains, and our blood pressure and immune cells are significantly affected by how much we like the people we spend our time with. (I'd add that, recent social distancing notwithstanding, most employed adults do spend more hours, virtually if not in person, with coworkers than with family or nonwork friends.)

Think, too, of all the famous BFFs who have teamed up to achieve greater success, by launching companies (Jobs and Wozniak), decoding our psyches (Kahneman and Tversky), dominating sports (LeBron and Wade), excelling creatively (Elton and Bernie), and supporting one another's careers (Oprah and Gayle).

It's clear that work friendships are worthwhile. However, not everyone has them. King writes that in 1985 nearly half of Americans had a "close" pal at the office, but by 2004 only 30% did. And the percentage of people who say they care about having friends at work drops from 54% among Baby Boomers to 41% among Millennials. She adds that most adults spend less than 40 minutes a day socializing, 10% less than they did a decade ago.

The problem, of course, is our limited time and energy. Denworth says it best: "The thirties...are... described as the decade where friendship [gets] killed off by marriage, children, jobs, relocating." We get super busy and "don't prioritize friends."

Still, given the hours and interests we share with colleagues, work should be an easy place to build these relationships. Murthy notes that it's already where we develop "middle and outer circle friendships." So why not try to find "intimate confidants" there too?

According to all three authors, that takes intentional effort. King: "In each moment we have the choice of whether and to what extent to connect with the person before us." Denworth: "You must... put time and attention into building quality relationships." Murthy: "Creating a connected life begins with the decisions we make in our day-to-day lives."

Want more specific advice on how to develop deep friendships at work? First, be patient. As Denworth points out, people generally need 80 to 100 hours together before they can call one another a friend and more than 200 hours before they would deem themselves "best" friends.

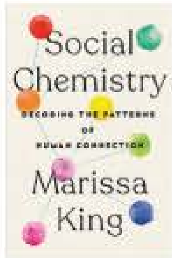
There are ways to speed that process, however. Proximity helps. King notes that "the probability of two people communicating is inversely proportional to the physical distance between them." One survey of cadets showed that seating assignments were a stronger predictor of friendships than religion and hobbies. Another study showed that half of employee interactions (both electronic and face-to-face) were between people sitting next to each other, while the rest were between coworkers in the same row or on the same floor. Of course, few of us pick our workstations. But most of us can vary our routines to interact with colleagues in whom we see a possibility for greater connection.

Another strategy is to look for commonalities with your workmates. Denworth reminds us of Aristotle's words "A friend is another self." But be sure to think broadly. Don't just consider people of your same age and background or in your department. Seek out others who share your passions, hobbies, and worldviews. (My colleague Amy Meeker and I became closer when we discovered we were both cat ladies.)

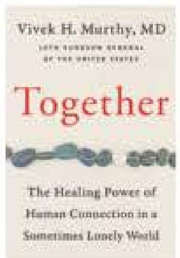
There's something even more key than proximity and similarity, though: reciprocity. True friends support one another, generating mutual positive feelings and personal growth. As Murthy writes, "Friends show that they care about each other." King, who studies networking behavior and categorizes people into three types—conveners, brokers, and expansionists—has some of the best advice on this front. She explains that self-disclosure and working to understand others' perspectives strengthen convening—or tightly knit—relationships. She adds that both asking for help and becoming a better listener and more thoughtful questioner will enhance trust. Denworth agrees: "The best friendships invite vulnerability."

Last year I got the awful—and surprising—news that my friend Ted had passed away. I was at the office when I opened the email. I was in shock. A few minutes later, Dan arrived at his desk, which for the past 10 years has been next to mine, and asked, as he always does, "How are you doing?" I burst into tears. "My friend—my *you* when I was at my first job—just died," I blubbered. "He was my *you*," I explained again, unsure that I was making sense. But Dan understood. He came over, put a hand on my shoulder, and said, "I'm so sorry." He stood with me while I cried.

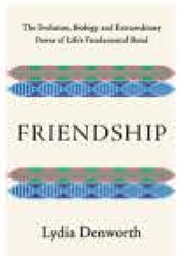
Real life happens at work: success, joy, failure, trauma. We need real friends—right there, at our side—through it all.




***Social Chemistry***
Marissa King
Dutton, 2020
(forthcoming)




***Together***
Vivek H. Murthy, MD
Harper Wave, 2020




***Friendship***
Lydia Denworth
W.W. Norton, 2020

**ALISON BEARD** *is a senior editor at HBR.*

**SPOTLIGHT**


# Emerging from the Crisis

The pandemic has dramatically changed the world we know. Here's how leaders can chart a course for their organizations and guide their teams through tumultuous times. | **page 37**

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## Learning from the Future

*J. Peter Scoblic* | page 38

In times of great uncertainty, it's difficult to formulate strategies. Leaders can't draw on experience to address developments no one has ever seen before. Yet the decisions they make now could have ramifications for decades.

The practice of strategic foresight offers a solution. Its aim is not to predict the future but to help organizations envision multiple futures in ways that enable them to sense and adapt to change. Its most recognizable tool is scenario planning. To use it well, organizations must imagine a variety of futures, identify strategies that are needed across them, and begin implementing those strategies now. But one-off exercises are not enough: Leaders must institutionalize that process, building a dynamic link between thinking about the future and taking action in the present.


## "What Is the Next Normal Going to Look Like?"

page 48

In this roundtable discussion, HBR's editor in chief, Adi Ignatius, leads a conversation among five prominent CEOs: the fashion mogul Tory Burch; Geoff Martha, of Medtronic; Nancy McKinstry, who heads the professional information services firm Wolters Kluwer; Chuck Robbins, of Cisco Systems; and Kevin Sneader, of McKinsey & Company. These executives discuss leadership during the Covid-19 pandemic, how the crisis has affected their companies, and how they are responding. They also speculate on what the future might hold for business: more reliance on digital technology, a new relationship with government, and fresh thinking about social inequality, environmental sustainability, and the delivery of health care.


## Helping Your Team Heal

*David Kessler* | page 53

The author collaborated with Elisabeth Kübler-Ross on the book *On Grief and Grieving,* which adapted the five stages of grief from her landmark work in the late 1960s on the five stages of dying: denial, anger, bargaining, sadness, and acceptance. He has since come to believe that grief has a sixth stage—*meaning*—which can take many forms: remembering the joy that someone or something gave; rituals of remembrance; gratitude; or turning the loss into something positive for others.

In this article Kessler advises leaders, managers, and organizations to recognize that people may be experiencing different kinds of grief and to treat them accordingly.

## HOW I DID IT


# The CEO of Slack on Adapting in Response to a Global Crisis

*Stewart Butterfield* | page 30

Slack was launched in 2014, went public in 2019, and is now a global operation with more than 2,000 employees and 100,000-plus customers. But it hasn't lost its start-up mentality. And never did it move with more speed and clarity of focus than in March 2020, when the Covid-19 crisis brought on two challenges: dramatically increasing customer demand and an extremely abrupt transition to working remotely.

The company's customer success and experience teams delivered nearly round-the-clock support free, both to existing customers and to newcomers who needed help getting set up with the product. Interviews with job candidates and the employee onboarding process were moved online. Marketing developed a public service ad for television committing to help any groups that were working on a Covid-19 response. Slack's engineers ensured that its systems were operational 99.9% of the time in a period of soaring demand.

Customers with 1,000 or 10,000 Slack users suddenly wanted to expand to 50,000. New customers wanted comprehensive proposals immediately. Organizations of all kinds had to transform the way they worked, all at once. This crisis, Butterfield writes, "has created an opportunity for us and others to become more agile, to take on changes that once seemed daunting, to reimagine organizational culture… and to reposition for future growth."

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## MANAGING YOURSELF


# Growth After Trauma

*Richard G. Tedeschi* | page 127

"At some point we will be able to reflect on the long-term consequences of this terrible time," the author writes. "Almost certainly [they] will include some good along with the bad." Negative experiences can bring a recognition of personal strength, the exploration of new possibilities, improved relationships with others, a greater appreciation for life, and spiritual growth.

Post-traumatic growth often happens naturally, Tedeschi says, but it can be facilitated in five ways: through *education* (rethinking ourselves, our world, and our future), *emotional regulation* (managing our negative emotions and reflecting on successes and possibilities), *disclosure* (articulating what is happening and its effects), *narrative development* (shaping the story of a trauma and deriving hope from famous stories of crucible leadership), and *service* (finding work that benefits others).

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# Features

## TECHNOLOGY


### A Better Way to Onboard AI

*Boris Babic et al.* | page 56

In a 2018 Workforce Institute survey of 3,000 managers across eight industrialized nations, the majority of respondents described artificial intelligence as a valuable productivity tool. But respondents to that survey also expressed fears that AI would take their jobs. They are not alone. The *Guardian* recently reported that in the UK "more than 6 million workers fear being replaced by machines."

AI's advantages can be cast in a dark light: Why would humans be needed when machines can do a better job? To allay such fears, employers must set AI up to succeed rather than to fail. The authors draw on their own and others' research and consulting on AI and information systems implementation, along with organizational studies of innovation and work practices, to present a four-phase approach to implementing AI. It allows organizations to cultivate people's trust—a key condition for adoption—and to work toward a distributed cognitive system in which humans and artificial intelligence both continually improve.

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## LEADERSHIP


### A New Prescription for Power

*Elizabeth Long Lingo and Kathleen L. McGinn* | page 66

Leaders often view power as a purely personal quality, derived from their formal roles and titles, accreditations, skills, and experience; from the information they control and the reputation they've built; and from their charisma, resilience, and energy. But as most discover, effectively wielding power is rarely straightforward. Simply exercising control over others—the traditional concept of power—is often not the best strategy; it may not even be an option. Indeed, the most potent uses of power often involve no direct influence tactics at all.

The authors have developed an approach to power that goes beyond exerting control and mobilizes others' energy and commitment. It focuses on three core dimensions:

*Situational power* rests on the ability to align objectives, the environment, and bases of power. *Relational power* is about connections and coalitions: They can be a major source of support, advice, information, and resources—but if neglected or ignored, they can loom as potential points of resistance. *Dynamic power* involves continually adapting influence strategies to changes in organizational and social systems.

The degree to which leaders draw on all three dimensions of power determines how effectively they get things done.

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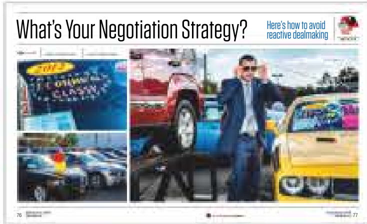
## NEGOTIATION




### What's Your Negotiation Strategy?

*Jonathan Hughes and Danny Ertel* | page 76

Many people don't tackle negotiations in a proactive way; instead, they simply react to moves the other side makes. While that approach may work in a lot of instances, complex deals demand a much more strategic approach.

The best negotiators look beyond their immediate counterparts to see if other constituencies have a stake in the deal's outcome or value to contribute; rethink the scope and timing of talks; and search for connections across multiple deals. They also get creative about the process and framing of negotiations, ditching the binary thinking that can lock negotiators into unproductive zero-sum postures.

Applying such strategic techniques will allow dealmakers to find novel sources of leverage, realize bigger opportunities, and achieve outcomes that maximize value for both sides.

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## CHANGE MANAGEMENT


### Harnessing Everyday Genius

*Gary Hamel and Michele Zanini* | page 86

The view of manual employees as mindless machines dates back to the Industrial Revolution, when most workers were poorly educated, and was entrenched by Frederick Taylor, whose bureaucratic model institutionalized a caste system of thinkers and doers that still persists—which is unfortunate, because that model allows a vast reservoir of human ingenuity to go untapped. As a result, firm performance suffers.

But there is a path out of this trap, as the French tire manufacturer Michelin has found. Since 2012, under the banner of *responsabilisation* (French for "empowerment"), the company has dramatically increased the authority and accountability of workers on the front lines. The firm kick-started this change through a bottom-up process involving targeted experiments in a handful of plants and slowly scaled up successful approaches. The outcome: a workforce that's deeply knowledgeable and relentlessly inventive—and that had delivered half a billion dollars in manufacturing improvements by 2020.

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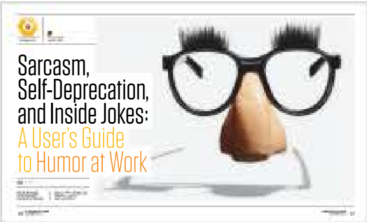
**PSYCHOLOGY**




## Sarcasm, Self-Deprecation, and Inside Jokes: A User's Guide to Humor at Work

*Brad Bitterly and Alison Wood Brooks* | page 96

Humor is widely considered essential in personal relationships, but in leaders, it's seen as an ancillary behavior. Though some leaders use humor instinctively, many more could wield it purposefully.

Humor helps build interpersonal trust and high-quality work relationships and influences behaviors and attitudes that matter to leadership effectiveness, including employee performance, job satisfaction, organizational commitment, and creativity.

These benefits don't come without potential costs. The guidelines in this article suggest ways to capture the benefits of humor while avoiding the downside risks.

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**MANAGING YOURSELF**


## Make the Most of Your Relocation

*Prithwiraj Choudhury*
page 104

Although the Covid-19 crisis has halted travel in recent months, geographic mobility has become critical for managers and knowledge workers hoping to advance in today's globalized economy, and that trend is unlikely to reverse. Assignments far from headquarters can pay off financially and can boost your career by improving your problem-solving and leadership skills and building your networks. Yet they also have constraints and costs. Anyone contemplating such a move should think through its full implications first.

Research on people in a variety of organizations around the world—from Indian bureaucrats to American consultants—suggests some common principles for getting the most out of relocations: (1) Make moves early in your career, when hurdles are usually lower and you can apply the learning over many more years of work. (2) Step out of your comfort zone to stretch your abilities. (3) Find creative workarounds for constraints. (4) To minimize the psychological costs, find ways to stay connected to home. (5) Time your trips to HQ strategically, and plan the next step right from the start.

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**ECONOMICS & SOCIETY**


## Fixing U.S. Politics

*Katherine M. Gehl and Michael E. Porter* | page 114

Although people tend to think of the American political system as a public institution based on high-minded principles, it's not. Politics behaves according to the same kinds of incentives and forces that shape competition in any private industry.

Our elections and our legislative systems are drowning in unhealthy competition: The political-industrial complex wins, and the public interest loses. Business, in pursuing its short-term interests, has become a major participant in the politics industry, exacerbating its dysfunction.

We can have healthy competition in politics—results, innovation, and accountability—by redesigning how we vote to connect acting in the public interest with getting reelected. Applying Porter's Five Forces framework illuminates the root causes of political dysfunction and points to the most powerful levers for transformation.

**HBR Reprint** R2004J

# "Leadership isn't about having one style. It's about What does the player need?"

Gareth Cattermole – FIFA/Getty Images

# MEGAN RAPINOE

*The bold and brash captain of the U.S. women's soccer team cemented her place in sports history with an MVP performance in last year's World Cup, including spot-on penalty kicks under pressure, even as President Donald Trump tweeted criticisms of her. An outspoken advocate for LGBTQ rights, she'd already allied herself with the racial justice movement by kneeling for the national anthem at games and helped launch her team's gender discrimination lawsuit against the U.S. Soccer Federation.* **Interviewed by Alison Beard**

**HBR: How are you so clutch?**

**RAPINOE:** If you're a starter on the women's national team and you've made it to the World Cup, you've gone through the gantlet. You're well prepared. And I love big games. I see myself as an entertainer as well as an athlete. So I just revel in those moments: having that huge crowd, being in the spotlight when so often women in sports are not. It's fun.

**After losses, how do you reset?**

It's important to allow yourself to feel in that moment. My first major loss was the 2011 World Cup. We were ahead with two minutes left in the game; we let in a late goal and lost on penalty kicks. It was devastating. But after you get your ugly cries out in the shower, there's always another game. It's sports. You don't always win.

**How did you grow into your team leader role?**

Growing is a great way to describe it. I think I have a particular charisma and trust with my teammates. And I challenged myself to be accountable in a way that I hadn't before. Professional sports can feel like Groundhog Day—doing the same thing for 10 years. Being more of a leader was a way to expand myself emotionally and intellectually. I've always been a team-first player. I've never been the best, but I carry weight, and if I do that in a positive way, I can have a big impact. I want to win, but I want everyone else to do it with me and to do it with them. If a more senior player sets that example so that everybody feels seen and heard and confident and like they have a place, it changes everything.

**Tell me about the equity push.**

Pay is how we tend to validate people in our society, so that's the hot-button issue. But you cannot have a meaningful conversation about compensation until you discuss investment in youth programs, medical support, marketing, and sponsorships. You can argue that on average, the men have more attendance than the women. But if you have 10 people on ticket sales for them and one person for us, it's not a fair comparison. All that has to be equaled out.

**Why did you join the racial justice protest?**

We had come through a violent summer, with several high-profile murders of people of color by the police. We already had massive incarceration. Anybody who says this is not happening is willfully blind. Knowing all that, being a gay woman and athlete who understands the importance of allyship, I thought, *This is something tangible that I can do.* As a white athlete, I can show support. So often people shy away when it's not literally their skin in the game. But it's all the same to me.

**How can more organizations support inclusivity?**

Set the environment first. That includes the language you use, the training you offer, your hiring practices, who you do business with, what your executive suite looks like. All those things signal to people whether they're safe or not. The proactivity of people in the majority is really important.

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