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Pilot's Watch Chronograph Spitfire. Ref. 3879: Only rarely do form and function blend as magically as in the design of the Spitfire. The elliptically shaped wings not only gave the propeller-driven aircraft outstanding flying characteristics, but were also responsible for its perfect silhouette. Like the Spitfire, our eponymous watch line makes no compromises when it comes to engineering and design. For that reason, we equip all our Spitfire models with high-quality in-house movements from Schaffhausen. The puristic instrument-look design was inspired by classic military standard watches such as the Mark XI navigation watch we started producing in 1948 for the British Royal Air Force. More than 80 years after its first flight, we are now sending the Spitfire on its longest-ever journey: Steve Boultbee Brooks and Matt Jones are setting off on an adventurous circumnavigation of the globe in their Silver Spitfire. It will take the British airborne icon on a flight of 43,000 kilometres, touching down in 30 countries. There's no dream too big to stop us living it.

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LEADING THE NEW GENERATION

As organisations globally try to become more competitive and future ready, they are seeking ways to innovate in order to enhance their offerings and services. In this issue's cover story, we present the article by Guido Stein and Miguel Martín, which looks at the fundamental solution to significantly improve the innovative capability of an organisation - creating a workplace structure that are compatible with the preferences of the millennials – which consists of the majority of the current workforce.

With the right people and workplace culture in place, it is important to develop a management system that allows organisation to deliver innovation sustainably. For this, Kristine Marin Kawamura and Simon Dolan propose the MBSIV model (Managing by Sustainable Innovation Values), which allows management to develop a values-based, high-involvement and performance-oriented innovation culture.

Francesca Gino presents another way to look at innovation. She argues that by encouraging employees to rebel against convention and bring their best selves to the office, leaders can strengthen workforce engagement, innovation capability – and thus the bottom line.

Moreover, we can never ignore the impact of AI on the future of work. In the article by James Campanini, he argues that AI is most likely to be deployed as an extension of existing tools, and integrating AI into the workplace can improve collaboration and productivity.

In our Top Executive Education with the Best ROI series, we present the best and first-rate business schools and universities that provide top-quality business education. In the May/June 2019 issue, we are honoured to feature Vlerick Business School in Belgium and its Doctorate in Business Administration (DBA) programme. Professor Brecht Cardoen, Academic Director of the DBA Programme shared with us how a DBA programme provides a set of analytical and rigorous thinking skills that will open new career opportunities for professionals and executives.

Further in the issue, we highlight the latest marketing strategies for multinational companies: an article by Gregory DeYong, Hubert Pun and Carol Lucy examines the copycats in the fashion and pharmaceutical industries and how companies should implement rational measures to guarantee profit against product-stealing and low-cost copycats. Won-Yong Oh and Mooweon Rhee examine the success story of the K-Pop group – BTS, and argue that the most effective globalisation strategy can be 'being yourself'.

Lastly, negotiation expert Samuel Dinnar and Lawrence Susskind offer their insights for entrepreneurs on how to avoid making the common mistakes during their negotiation with partners, suppliers, investors and others.

We hope that the diversity of perspectives and insights presented in this issue shall help you create an innovative workplace culture and effectively lead the next generation of employees to achieve breakthrough performance and future success! **ER**

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MAKE AN IMPACT WITH NEW UNDERSTANDING

CORPORATE CULTURE:
What It Is and Why It Is Important

BY ADRIAN FURNHAM

A functional corporate culture benefits both the company and its employees. In this article, the author provides an overview on the origin and concept of corporate culture and illustrates the change strategies organisations can deploy to move the current corporate culture to the desired one and achieve better organisational success.

As well as *national culture* there is also the powerful force called *corporate culture*. It is easiest defined as "the way we do things round here". Many consultants will attest to the desire of senior managers to "change the corporate culture" which they perceive as causing poor productivity, engagement and turnover. How easy this is to do is another matter!

Anyone who has recently changed his or her job is acutely aware of the corporate culture whilst "old timers" have ceased to notice the oddities in the "usual behaviour around the office".

The culture dictates everything from dress code to timekeeping; email style to coffee-break etiquette; job titles to after-work behaviour. Corporate culture is often dramatically different from the pre- and pro-scribed behaviours in the mission statement or values declaration: what they say they believe and do is very different from what actually occurs.

More importantly, corporate culture has a direct and powerful effect on both productivity and satisfaction. Clearly, dysfunction in organisational culture can erode a business from within, causing it to lose its commercial edge and making it difficult to retain or recruit talent.

An individual manager's decision-making and success is a part function of the corporate culture. This is why researchers take an active interest in the "dynamics of the team".

For the past 30 years in management circles, corporate culture has been "flavour of the month". Books, articles and papers appearing on this topic have been numerous and it is now widely adopted in both professional and academic circles.

It has been used to predict and explain a great variety of behaviours in organisations, both successful and unsuccessful, and many large and small organisations have attempted what they call culture change programmes.

It has taken a long time for some managers and management scientists to realise that "soft" human resource issues may play such an important part in any organisation's success (or failure).

How is it that so many individuals within an organisation share basic attitudes, behaviour patterns, expectations and values? In other words, how does a culture form and how is it maintained? What is the origin of corporate culture?

The Origin of Corporate Culture

Corporate culture is essentially based on the needs of individuals to reduce uncertainty and to have some reference to guide their actions. This uncertainty reducing need is resolved by the evolution of behaviour standards (do's and don'ts) and norms of perceiving events.

Dysfunction in organisational culture can erode a business from within, causing it to lose its commercial edge and making it difficult to retain or recruit talent.

Firstly, organisational culture may be traced, at least in part, to the *founders of the company* or those who strongly shaped it in the recent past. These individuals often possess dynamic personalities, strong values, and a clear vision of how the organisation should be. Since they are on the scene first, and/or play a key role in hiring initial staff, their attitudes and values are readily transmitted to new employees.

The result is that these views become the accepted ones in the organisation, and persist as long as the founders are on the scene, or even longer. Given the length of time over which cultures become established, the reasons why people do things may well be forgotten, yet they perpetuate the values and philosophies of the founder.

Secondly, organisational culture often develops out of, or is changed by, an *organisation's experience with external exigencies*. Every organisation must find a niche and an image for itself in its sector and in the marketplace. As it struggles to do so, it may find that some values and practices work better for it than others – for example, one organisation may gradually acquire a deep, shared commitment to high quality, and another company may find that selling products of moderate quality, but at low prices, works best for it. The result: a dominant value centreing around price leadership takes shape.

Hence, the pressure to change culture to "fit" the external environment is constant, particularly in turbulent times. Indeed, it is because the business environment changes more rapidly than

the corporate culture that many managers see that adopting the right culture can be an important factor in business success, that is, of thinking and behaving differently to be aligned with the realpolitik of the commercial environment.

Thirdly, culture develops from the *need to maintain effective working relationships* among organisation members. Depending on the nature of its business, and the characteristics of the person it must employ, different expectations and values may develop.

Thus, if a company needs rapid and open communication between its employees, and informal working relationships, an open expression of views will probably come to be valued within it. In contrast, very different values and styles of communication may develop in other organisations working in other industries with different types of personnel. Just as groups go through a well-known sequence in their development, remembered as forming, storming, norming and performing, so do corporate cultures. Indeed, it is the development of behavioural norms that is at the very heart of culture.

12 Types of Corporate Culture

Culture is created through two main factors. *Firstly*, there is norm formation around critical incidents, particularly where mistakes have occurred; that is, the lessons learnt from important corporate events (often crises) are crucially important factors in the formation (or change) of culture.

Secondly, there is identification with leaders and what leaders pay attention to, measure and control; how leaders react to critical incidents and organisational crises; deliberate role modelling and coaching; operational criteria for the allocation of rewards and status; operational criteria for recruitment selection, promotion retirement and ex-communication.

The role of unique visionary leaders cannot be understated. Understanding the factors that lead to the establishment of corporate culture are important because they also serve to highlight the factors that need to be concentrated on when changing that culture.

Understanding the factors that lead to the establishment of corporate culture are important because they also serve to highlight the factors that need to be concentrated on when changing that culture.

One easy way to get an idea on the concept and its measurement is to look at the measure below devised by Cooke & Lafferty (1989). People are required to complete a relatively short questionnaire, which yields scores on the dimensions below. The sentence in brackets is a typical question from the test that measures that particular culture:

1. A *Humanistic–helpful culture* characterises organisations managed in a participative and person-centered way. Members are expected to be supportive, constructive and open to influence in their dealings with one another. (Helping others to grow and develop; taking time with people.)
2. An *Affiliative culture* characterises organisations that place a high priority on constructive interpersonal relationships. Members are expected to be friendly, open and sensitive to the satisfaction of their workgroup. (Dealing with others in a friendly way; sharing feelings and thoughts.)
3. An *Approval culture* describes organisations in which conflicts are avoided and interpersonal relationships are pleasant – at least superficially. Members feel that they should agree with, gain the approval of and be liked by others. (Making sure people accept you; "going along" with others.)
4. A *Conventional culture* is descriptive of organisations that are conservative, traditional, and bureaucratically controlled. Members are expected to conform, follow the rules and make a good impression. (Always following policies and practices; fitting into "the mould".)
5. A *Dependent culture* is descriptive of organisations that are hierarchically controlled and non-participative. Centralised decision-making in such organisations leads members to do only what they are told and to clear decisions with superiors. (Pleasing those in positions of authority; doing what is expected.)
6. An *Avoidance culture* characterises organisations that fail to reward success but nevertheless punish mistakes. This negative reward system leads members to shift responsibilities to others and avoid any possibility of being blamed for a mistake. (Waiting for others to act first; taking few chances.)
7. An *Oppositional culture* describes organisations in which confrontation prevails and negativism is rewarded. Members gain status and influence by being critical and,

thus, are reinforced to oppose the ideas of others and to make safe (but ineffectual) decisions. (Pointing out flaws; being hard to impress.)
8. A *Power culture* is descriptive of non-participative organisations structured on the basis of the authority inherent in members' positions. Members believe they will be rewarded for taking charge, controlling subordinates and, at the same time, being responsive to the demands of superiors. (Building upon one's power base; motivating others in any way necessary.)
9. A *Competitive culture* is one in which winning is valued and members are rewarded for outperforming one another. People in such organisations operate in a "win/lose" framework and believe they must work against (rather than with) their peers to be noticed. (Turning the job into a contest; never appearing to lose.)
10. A *Competence/perfectionistic culture* characterises organisations in which perfectionism, persistence, and hard work are valued. Members feel they must avoid all mistakes, keep track of everything, and work long hours to attain narrowly defined objectives. (Doing things perfectly; keeping on top of everything.)
11. An *Achievement culture* characterises organisations that do things well and value members who set and accomplish their own goals. Members of these organisations set challenging but realistic goals, establish plans to reach these goals, and pursue them with enthusiasm. (Pursuing a standard of excellence; openly showing enthusiasm.)
12. A *Self-actualisation culture* characterises organisations that value creativity, quality over quantity, and both task accomplishment and individual growth. Members of these organisations are encouraged to gain enjoyment from their work, develop themselves, and take on new and interesting activities. (Thinking in unique and independent ways; doing even simple tasks well.)

These cultures were in turn grouped into three categories: Types 1–4 were described as *satisfactory*, 5–8 as *security* and 9–12 *dependent* cultures. Research by colleagues and myself indicates that this can be a useful tool to describe the current culture but also the culture that is required.
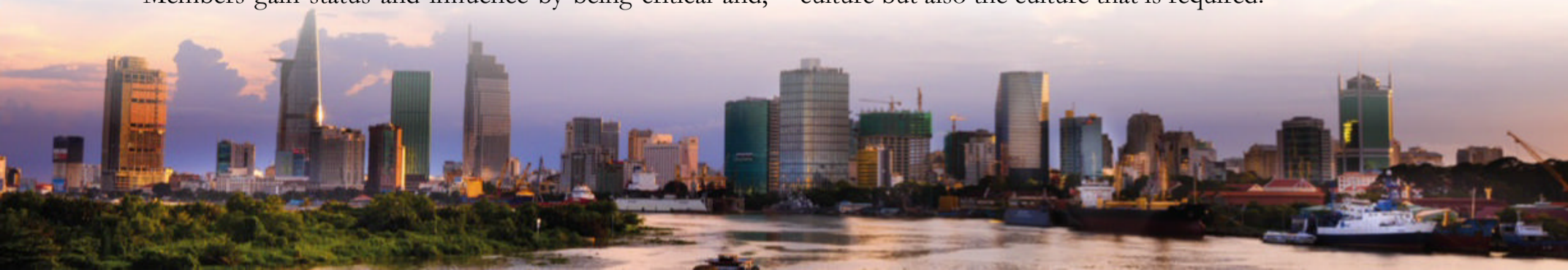
The Change Strategy

The change strategy usually involves thinking about what is the ideal corporate culture, assessing the current corporate culture in terms of the same concepts and then doing the classic gap analysis. The next, more important step, is trying to devise ways of moving the current to the desired culture.

Classically, organisations try different strategies to change their culture. Some try more than one at the same time or in different orders depending on various factors like who is in charge, how successful the strategy has appeared to be and the corporate culture itself. The classic five are:

1. *The fellowship strategy*. The fellowship strategy relies heavily on various events to announce and discuss what needs to be changed and how. People at all levels are listened to; however, this 'warm and fuzzy' approach emphasises personal commitment over ideas. This strategy is averse to conflict; it can miss crucial issues and waste time.

2. *The political strategy*. The strategy seeks to identify and persuade those most respected with influence and power and who have large constituencies and who therefore shape the culture. The idea is to flatter, bargain and compromise to achieve their ends, which is usually the introduction of new methods that reflects different values. But this can destabilise the organisation and maintaining credibility can be difficult because the strategy is devious.

3. *The economic strategy*. This strategy believes that money is the best persuader. This is the approach that assumes people act more or less logically, but that their logic is based on entirely economic motives. But 'buying people off' can be costly and the effects short term. The strategy also ignores emotional issues and all questions besides bottom-line profit.

4. *The academic strategy*. This strategy assumes that if you present people with enough information and the correct facts, they will accept the need to change and how to do it. The academic strategist commissions studies and reports from employees, experts and consultants. 'Analysis paralysis' often results because the study phase lasts too long and the results and recommendations are often out of date when they are published.

5. *The engineering strategy*. This technocratic approach assumes that, if the physical nature of a job is changed, enough people will be forced to change. It is a method of re-engineering. Such change can also break up happy and efficient teams. The strategy is limited because only high-level managers can really understand it, it is impersonal and it ignores the question: 'What is in it for me?'

> **The change strategy usually involves thinking about what is the ideal corporate culture, assessing the current corporate culture in terms of the same concepts and then doing the classic gap analysis.**

Culture-change strategists divide on a number of issues. Should you attempt to change the attitudes, beliefs and values or more simply the work-related behaviours of people? Should you use carrot and stick (reward and punishment) or just one or the other for most effect? Should one start the change process at the top or the bottom in organisations? Should one 'engineer a crisis' to really get people to come on board?

Academic and practitioner interest in Corporate Culture has continued for half a century. Although somewhat illusive nearly every recognises its role in determining business success and failure. **ER**

About the Author

Adrian Furnham is Principal Behaviour Psychologist at Stamford Associates in London. He was Professor of Psychology at University College London 1981 to 2018, and now also Adjunct Professor of Management at the Norwegian School of Management in Oslo. He has written over 1200 scientific papers and 90 books.

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DOCTORATE IN BUSINESS ADMINISTRATION (DBA)

When the world is getting more complex, so is the need for a more research-based approach to solve the many complex business challenges present today. With this, professionals and executives are searching for a way to satisfy their needs to progress their own business expertise. Going the extra-mile in widening one's scope of business proficiency through advanced education is becoming a necessity to resolve real-world business challenges through research-oriented critical thinking and problem solving in the business world.

In this edition we turn our spotlight on the highest academic degree one can achieve in the business management field. A Doctorate in Business Administration (DBA) programme is equipped with advanced tools and research methodologies based on the latest trends and innovations in business today. A DBA programme aims to provide a set of analytical and rigorous thinking skills that will open new career opportunities for professionals and executives.

In our Top Executive Education series, we present the best and first-rate business schools and universities around the globe that provide top-quality business education. In the May/June 2019 issue, we are honoured to feature **Vlerick Business School**, and we had the pleasure of an exclusive interview with Professor Brecht Cardoen, PhD, Academic Director of the DBA Programme.

LIVE, L'EA

Founded in 1953 in one of Europe's premier education spots, Vlerick Business School in Belgium focuses on knowledge creation through research-based learning structure to produce business leaders that approach business problems in a broader and more scholarly mindset. To further advance the research excellence in the business management field, Vlerick Business School, Ghent University and KU Leuven have launched its DBA programme in Europe last year. In this interview, Professor Brecht Cardoen, PhD, Academic Director of the DBA programme, shared with us the unique features and benefits of pursuing this highest academic degree in business administration.

Q **Good day, Professor Cardoen! Thank you for taking the time to talk to us today. Let's start this interview by giving us a glimpse of what a day looks like for an academic and business leader like you?**

A Being part of our career faculty, a typical day mirrors activities at different levels. I could be enjoying an interactive teaching session with our executives or making advancements in one of our research projects on process optimisation and value-based healthcare. In both cases, I have noticed an increasing interest in decision-making supported by quantitative methods, which has created opportunities to innovate and learn. Therefore, a day in my academic life definitely turns into a good day when conversations spark an idea for further research. Listening is a crucial capability here, as there are many challenges, ideas, opportunities that cross paths in the business school. This is also evidenced in our Doctorate in Business Administration (DBA) programme, where candidates show research interests in various functional domains, sectors, or geographical areas. As the Academic Director of the DBA programme, helping our candidates in assessing their fit with the programme and matching them with supervisors are also part of my daily activities.

Q **As the Academic Director of the DBA programme, can you tell us what sets this programme apart from other advanced management degrees?**

A It is important to understand that the DBA is a programme in which research is the key cornerstone and thus emphasis is put on research methods and their application. This is very different from MBA

ARN,

LEAP

Brecht Cardoen

JOB TITLE:
Professor & Director DBA Programme

MANAGEMENT DOMAIN:
Operations & Supply Chain Management
Healthcare Management

TEACHING IN:
Full-time MBA Programme
Executive MBA
Online MBA
Masters in General Management
Doctorate in Business Administration

"We create that lasting impact mainly by changing and broadening their mindset to become a scholar for life. It's a different way of looking at problems, a habit or mindset you never forget."

all that glitters is gold, and I believe a DBA participant could also often be uncertain about some aspects of doing research. In this case, our programme helps them to install rigour next to relevance, i.e. educating them how to adequately design and execute research, building that analytical mindset as mentioned. We enable our participants to conceptualise compared to the daily firefighting their jobs often bring. In a way, they learn to slow down again and step away from the daily hassle their executive function often entails.

programmes, which have the ultimate goal to make you a better manager, which is not necessarily the same as becoming a great scholar. Scholarship is about the disciplined search for knowledge that remains reliable independent of the passion, desire or material interest of the discoverer. It requires developing a wide variety of skills, including creativity, critical thinking, writing skills, community building skills, persistence and resilience. The difference in mindset makes a researcher's approach to a challenging question very different from a manager's approach, probably leading to many more questions. So when thinking about the DBA, the main focus is on in-depth knowledge creation instead of knowledge dissemination. At Vlerick Business School, we talk about 'bringing action to knowledge', leveraging the experience of our candidates. And, when talking about degrees, a successful completion of our DBA programme is awarded by a joint PhD degree from the university partners KU Leuven and Ghent University.

Q You also hold teaching assignments at the Executive MBA, Full-time MBA, and graduate level at Vlerick and KU Leuven. How do

you think the DBA programme could advance and leverage its participants' business knowledge and expertise should they pursue a Doctorate in Business Administration? What are the significant edges one could obtain?

A DBA participants excel in finding relevance in the research questions they want to tackle. Building upon so many years of experiences, there is a solid base that helps them to point to a relationship or hypothesis that is worth investigating. Next, a DBA participant also typically has a unique access to data, which is often seen as a challenge by scholars. By making use of their network or company resources, they create a head start and open up a range of opportunities. However, not

> ## It is important to understand that the DBA is a programme in which research is the key cornerstone and thus emphasis is put on research methods and their application.

Q Vlerick Business School has joined forces with other Belgium's top ranked universities namely Ghent University and KU Leuven in creating the DBA programme. Can you tell us how this partnership benefits the participants and how the three institutions collaborate?

A Indeed, our DBA is a partnership of three strong institutions, which allows playing on the strengths of each partner. Whereas the business school enjoys a triple accreditation, is pragmatic and familiar in working with executives, the universities bring in an exceptionally strong research culture and performance. Every DBA candidate gets at least two supervisors whose expertise is tailored to the real need of the participant. Also, it means we make complementary teams of supervisors, as hardly ever all necessary expertise to support a participant is bundled in a single person. The partnership provides a large faculty base to make such supervisory teams. The collaboration between the three is however not restricted to the supervision of the participants, but stretches also to the course teaching, access to libraries, and so forth. Finally, joining forces enables the award of a joint PhD degree, giving stronger branding and value for the participant.

> **DBA is a partnership of three strong institutions, which allows playing on the strengths of each partner.** Whereas the business school enjoys a triple accreditation, is pragmatic and familiar in working with executives, the universities bring in an exceptionally strong research culture and performance. "

Q Your research is centred on healthcare process management and optimisation with a particular interest in hospitals. You also head the healthcare provider initiatives of Vlerick's Healthcare Management Centre such as MINOZ, a research network of Belgian hospitals searching for solutions to operational challenges. How does your background help you manage and cultivate a unique design for the DBA programme?

A My research in healthcare is multidisciplinary and combines many strands. Let's think for instance, about value-based healthcare. Porter defines value in healthcare as achieving the best outcomes at the lowest cost[1]. One way of looking at this equation implies that more value is obtained when the same outcome is delivered at lower cost. Having thus a detailed understanding about costing mechanisms is essential to think further on process improvements, and therefore it makes sense to team up with an expert in the field of cost and management accounting. Value-based healthcare is furthermore not only a topic that triggers the interests of academics, but also the interest of industry and healthcare providers. In other words, with my research I connect and combine different angles. Making these bridges also enables the creation of spill-overs in research: why would a good research design not lead to both an academic paper and insights that fit the interests of our business community and society? Furthermore, being an active researcher also makes me aware of the potential pitfalls and difficulties, which I try to translate together with my colleagues into the DBA programme.

Q How do you make sure the results of participating in your programme will be worthwhile for participants and their organisations in terms of knowledge acquisition, career advancement, long-term

profitability for business, and other measures of ROI for a business education degree?

A Now we're talking about impact, which has different dimensions. The DBA creates impact towards the individual, the company, but also society. We embed an elective part and also specific skills sessions that together ensure the personal growth of our participants. The electives can be directed towards academic, business or teaching oriented activities. Skills sessions are organised around topics such as but not limited to presentations for different audiences (how to adapt your message according to the recipient), or career management (thinking about opportunities the PhD degree might create). We actively stimulate our participants to think about impact, and also require them to write an impact plan. For companies, the major impact follows from developing an in-house expert, leading to innovation and discovery. We often see that research questions can be pinned into the business context of a company, which creates a clear win for both company and candidate. Also, the DBA can be seen as a validation

Once you pass all your doctoral assignments and reach the end of your doctoral journey, you gain:

- A Certificate of Research Management from Vlerick Business School.
- A joint PhD degree from the Faculty of Economics and Business Administration at Ghent University and from the Faculty of Economics and Business at KU Leuven. The PhD is awarded upon completion of the research and a successful defence of the doctoral dissertation.

Vlerick Business School Ghent Campus

> **During our application process, we first screen for eligibility, and in a second stage we actively help our participants in drafting a first research idea. Here, a crucial role is attributed to potential supervisors who will discuss and guide the candidate even before admission.**

method for ideas or insights one might have, and thus finding evidence to confirm or reject current thoughts. Listening to our participants and their motivations, I'm not sure that ROI of a DBA should be defined in terms of profitability or financial gain, which is often the case when talking about management degrees and measuring their impact. Well, I guess we can have an entire talk discussing about impact and doing research that matters. It is no coincidence that we chose the latter topic as central theme of this year's DBA conference, given the importance of this debate for research institutes in general but certainly also for doctoral education.

Q As you have just launched the programme last year, what should the present and future participants look forward to in terms of the academic and extracurricular experience they may obtain? What are your significant plans and/or initiatives to strengthen the programme in the coming years?

A It is important to keep in mind that pursuing a DBA is in essence a very individual trajectory. In a way, the success and progress of your research is determined by your efforts and capabilities, which by no means imply that you are alone in your journey. Besides the obvious support of your supervisors, building a community of peers is of crucial importance. We especially would like to strengthen this community of peers who all face a similar endeavor and are in need of sharing and caring when it comes to their doctoral journey. This is fostered by different activities during the course weeks. In the future, we want to build on our strengths. Naturally, growing our international DBA community is a top priority in

the upcoming years, including leveraging our doctoral school and extending some key activities such as our DBA conference.

Q What's the most challenging when addressing the needs of your participants? How do you meet their expectations and have them better prepared upon returning to their respective workplaces?

A First, I already pointed out that seeing relevance of research is a strong capability of our DBA participants, leading to a clear management question. However, a management question is not yet an academic research question, and this translation appears to be hard at the start since the academic world often is yet to be discovered. During our application process, we first screen for eligibility, and in a second stage we actively help our participants in drafting a first research idea. Here, a crucial role is attributed to potential supervisors who will discuss and guide the candidate even before admission. This implies that, when admitted to our programme, the participants already have been assigned supervisors, have been in touch with those supervisors, and have a research idea that connects to an ongoing academic debate, all starting from their initial idea. Second, next to the research question, we see challenges at the level of rigour, as often methodological skills and knowledge still need to be developed, which is in the programme addressed by the coursework. Third, finding the work-research balance is not straightforward as executives have busy calendars. Therefore, providing a smoothened process – allowing for some flexibility – is important not to lose any valuable time. We also invite our candidates to communicate well and in advance about their engagement in the DBA, both professionally and with relatives. Finally, as for any degrees, there are deliverables and deadlines, turning the professional somehow into a student again. This might need some adaptation, but our DBA team is ready to provide the necessary guidance here and regular progress reporting helps in the communication.

Q As the world and businesses rapidly

DIRECTOR PROFILE

Brecht Cardoen is the Academic Director of the DBA Programme. He is Associate Professor in Technology and Operations Management at Vlerick Business School and Associate Professor at the Faculty of Business and Economics of KU Leuven (Belgium). His research is centered around healthcare process management and optimisation with a particular interest in hospitals.

evolve, leadership becomes more challenging. **What do you think are the important qualities a business leader must have in order to drive business functions successfully into the future?**

A This is a question we've been thinking about as a business school, especially since the pace of change is high, and I'm confident our point of view also holds for the DBA. A first important quality is that you have to live your dream. You need to understand the context today, but have a goal for tomorrow and dare to take a first step. Second, be a student, always. A leader should be open to lifelong learning and challenge the status quo when it comes to current models and methods. Third, leaders leap and succeed in making a transformation and creating impact. I think this fits the entrepreneurial spirit of Vlerick Business School, and thus also translates into the DBA programme. Live, Learn, Leap.

Q **And subsequently, how do you make sure your programme has a lasting impact for the professional development of your participants?**

A We create that lasting impact mainly by changing and broadening their mindset to become a scholar for life. It's a different way of looking at problems, a habit or mindset you never forget. Furthermore, impact is created where the (unmet) needs are the highest and the offer is up to expectations. Therefore, explicitly screening for relevance is

> "Success points to reaching the goals you have defined within a defined set of constraints. One typically defines multiple goals on sometimes very different levels that simultaneously need to be aimed for."

important, just like tailoring the programme with electives and the right amount of flexibility. Don't forget that participants can build upon a vast experience, a fundament that offers the right framing to internalise and connect new learnings.

Q **Pursuing a doctorate is a demanding journey. Can you share with our readers and prospective participants of the DBA programme how you make sure that you maintain a healthy lifestyle, both in your professional and personal life? What are your favourite routines?**

A Not sure whether I'm providing a best practice here…I tend to think about healthy lifestyle in two dimensions: mentally and physically. It is important to clear the mind from time to time: being physically present not necessarily means you are also mentally present. I still remember from my own PhD studies that leaving problems at work is not so easy. At that time I was programming quite intensely, and nothing worse than knowing there's a bug in the code just when the packed weekend was about to start. Physically, I make sure to give sufficient attention to sleeping as it also helps balance professional and personal life. Area for improvement? I would like to drink less coffee, find a more healthy way of commuting, provide sufficient time and attention to having a diversified lunch; a bit more of sports would be welcome too. I guess too many wishes for a single year, no?

Q **Lastly, what does success mean to you? Any other message you wish to share with our readers?**

A Success points to reaching the goals you have defined within a defined set of constraints. One typically defines multiple goals on sometimes very different levels that simultaneously need to be aimed for. So in this sense, I find it difficult to give a straightforward answer to this question, as there are so many things I actually want. Supporting people in reaching their successes also feels like a success for me personally, regardless whether it is in pursuing a DBA or the broader educational field. I truly hope that whatever activity you do, you do it with joy, since I'm a strong believer that joy and success ideally go hand in hand.

Q **Thank you very much, Professor Cardoen! It's a pleasure speaking with you.** ■

A Revolution at the Organisation's Core: Millennials

BY GUIDO STEIN AND MIGUEL MARTÍN

How do organisations strategise to create a sound and functional workforce? In this article, the authors present how various companies and businesses restructured the workplace and devise new methods and work culture to keep up with the demands of the new generations.

While millennials account for 34% of the workforce in the United States (see Figure 1) – and that percentage is on the rise – current workplace structures are tailored to previous generations, which leads to generational conflict and the loss of motivation among millennials. This article is focused on examining that dispute, as well as how such structures can be adapted to make them compatible with the preferences of new generations.

Ambidextrous or Versatile

Some authors argue that the ability to compete in new markets begins with the strategies and priorities that are responsible for the very nature of innovation capabilities. It is not on the market where an organisation starts to become competitive, by offering different products and services to end consumers, but during recruitment of the talent that will design and develop such products and services to be placed on the market. Thus, the innovation process within organisations should start from the human resource (HR) department, with new talent-recruitment policies adapted to a generation with different traits and wishes. Employers need to transition "from a 'boomer-centric' workplace to a 'millennial-centric' workplace".

Birkinshaw and Gibson identified a strong positive correlation between business performance and ambidextrous organisations. If we apply this to the HR department, we could argue that a company that focuses its talent-recruitment and retention policies on current and future employees will achieve better business performance, as well as better financial results. Nowadays, many companies still have policies designed for baby boomers and Generation Xers and have not yet modified them for those just starting

It is not on the market where an organisation starts to become competitive, by offering different products and services to end consumers, **but during recruitment of the talent.**

Figure 1. Generations in the Workforce

Generation	Age in 2015	Percentage of the US workforce
Silent generation	70+	2%
Baby boomers	51–70	29%
Generation X	35–50	34%
Millennials or Generation Y	18–34	34%
Postmillennials or Generation Z	<18	1%

Source: Deborah Hopen and James J. Rooney, "Do Generational Differences Affect Project Success?," *Six Sigma Forum Magazine* 15, no. 3 (May 2016)

out in the business world – those are, millennials and postmillennials. Since they will be the ones holding job positions in the future, those in charge of designing and applying said policies should pay attention to their demands and wishes, with the goal of achieving a more ambidextrous organisation.

With new generations comes the energy of those first entering the workforce, marked by a desire to get work done and prove their worth in the short term but also by inexperience regarding the business world and the internal history of the company. However, they possess almost innate technological knowledge and can operate technologies with enviable ease. Therefore, the need for knowledge transfer between generations has become bidirectional, such that establishing reverse mentoring programmes can be useful. This need within organisations for employees to share their knowledge is complemented by millennials' wish to receive constant feedback. In a survey conducted at IESE, 65% of students reported having asked for feedback and explained that they did so to understand where they were making mistakes and how to improve and make important decisions. Parents, professors, and friends are crucially important in providing this feedback (see Figure 2 in next page). When these students take on job positions, their bosses will take on the role of their professors.

To adapt to new generations, business leaders are modernising their policies with flexible work schedules, whereby employees work 24/7 without having to go to the office. This results in the intertwining of their personal and professional lives. Promotion policies, feedback, and the implementation of reverse mentoring programmes are also

The need for knowledge transfer between generations has become bidirectional, such that establishing reverse mentoring programs can be useful.

changing to adapt to new generations. A good first step for many organisations that aim to become more innovative would be to build a model with a strong emphasis on promoting knowledge transfer while producing a generational replacement.

The Organisation

An organisation can have one of three types of structure: functional, divisional, and matrix. In the first case, the division of labour, the roles and the hierarchies are structured in terms of the activities or primary functions that the organisation must perform when carrying out its business activity (production, sales, engineering, finances, etc.). This type of structure is very clear and maximises individual functions. However, in doing so, it can hinder the maximisation of the organisation's overall outcome. The second type of structure rests upon the things produced, geographic markets or customers. It is suitable for highly uncertain settings in which the goal is to coordinate innovation, satisfy customers, and retain a market segment.

As for the matrix structure, it attempts to combine the features of the previous two structures, thus benefiting from their positive aspects while seeking to avoid their drawbacks. In this structure, two or more dimensions are defined through the implementation of a dual management system with responsibilities assigned to functional departments, in which division and functional managers have the same authority within the company and employees depend hierarchically on both. This structure is especially recommended when a company must respond to two sectors simultaneously, operates in very uncertain and complex settings, needs to innovate or has to cope with tough restrictions on human and financial resources by making use of economies of scale.

Regardless of the organisation's structure, and given the differences that exist among millennials with regard to their behaviour, it would seem they need help understanding and adapting to company rules. Moreover, their need for achievement and instant gratification makes reviewing and monitoring their expectations vital in many companies. Their motivation to understand how companies operate along with companies' interest in paying them due attention mean that dual management – through two supervisors – might promote their integration and company retention.

Corporate Culture

When it comes to running a company, either a hard or soft power culture of corporate governance can be established. The first option entails strict rules, whereas soft power alludes to the subtle mechanisms of culture as effective instruments for changing organisations. As we shall see, soft power allows managers to make the necessary changes while causing as little friction as possible, avoiding collateral damage and earning the cooperation and consent of the other members of the company. In short, it creates a viral effect in their governance programme. Low-intensity norms are a useful instrument for cultural transformation because of their flexibility and their ease of implementation.

However, at times, the urgency of business activity or the existence of a strong culture makes it hard to implement long-term changes, forcing executives to make quick decisions with immediate effect. Strong cultures, which can be modified only through reactive changes, also have some advantages, such as increased motivation, coordination, and control. Moreover, they put companies in a better position to respond to investment opportunities and generally speaking, help to consolidate competitive advantages. Nevertheless, their rigidity often makes it harder to implement soft changes.

Culture Focused on Innovation

Compared to Generation Xers, a significantly greater number of millennials prefer to work at organisations with centralised decision making and clearly defined responsibilities and official rules and processes. In line with this data, millennials opt for an organisational culture with few rules and regulations. Moreover, millennials require a more structured organisation in which they are told what to do and when to do it. Based on these studies, we can conclude that millennials prefer fewer but clearly defined rules.

Innovation is becoming increasingly more important to the success of organisations, given the technological changes occurring in all sectors of the economy. Organisational cultures that promote creativity and passion and value their employees will become leaders in innovation. Similarly, to build a successful culture of innovation, workers must be encouraged to learn

Millenials' need for achievement and instant gratification makes reviewing and monitoring their expectations vital in many companies.

and leaders must commit to examining how they are improving products. Millennials highlight continuous training and learning as fundamental requirements for staying at a job or deciding to take a different one. 25% of millennials surveyed cite learning as their main reason for working, while another 22% refer to personal development – which, of course, cannot exist without learning. Therefore, offering continuous training should be among companies' main concerns.

A culture of innovation is based on task autonomy or, rather, on the ability of the workers in charge of creating innovative ideas to choose how they complete their tasks and, in doing so, to feel supported in their decisions. This study would support the idea that companies that want to adapt to market currents and new generations should establish few rules and give their employees a certain degree of autonomy, with the goal of structuring their work and generating innovation. In this sense, support for their decisions and ideas is a necessary feature of the organisation's new models since another important trait of millennials is their need to feel supported and valued within their company. In this regard, millennials require companies to be open to receiving and listening to comments and criticism.

In this new order of relationships in the organisation, the preestablished hierarchic rigidity is pushed aside, making way for atmospheres in which open dialogue can flourish.

Figure 2. From Whom Do You Usually Ask for Feedback?
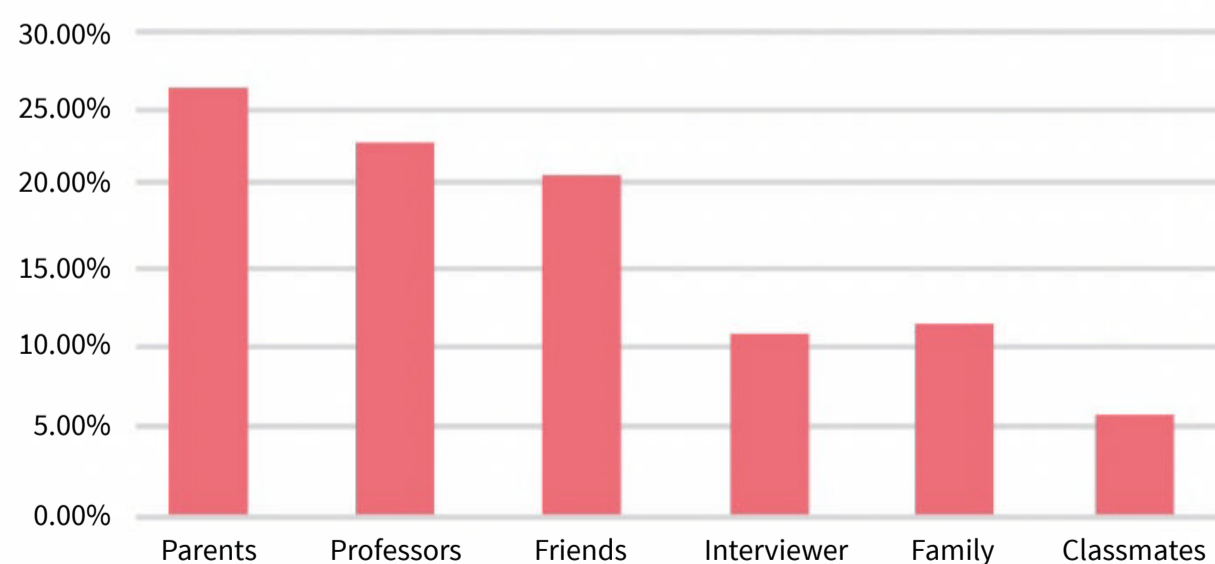
Source: Prepared by the authors using data from the survey of students of the University of Navarra's Faculty of Economics who were studying on the 2017 IESE Program

Work and the Importance of Corporate Social Responsibility (CSR)

New generations give increasingly greater importance to the content of their work. In fact, money now ranks fifth as the main reason why millennials choose a job, behind metrics such as "to learn", "to influence and/or contribute to society", "development", and "to have fun" (see Figure 5 in next page). However, money still occupies a position of capital importance since almost 90% of survey participants report it as one of their four main reasons for working, while less than 80% are interested in personal development. Our survey obtained results that confirm that millennials prefer challenging jobs that can help them advance in their careers. Therefore, it comes as no surprise that many of them opt for jobs at the smallest companies, where they believe they will be able to perform a more practical role and have a greater impact.

Companies have not given much consideration to this aspect of work until now, which is why the incorporation of millennials into the workforce may lead to an increase in employee turnover, as millennials find they do not feel passionate about their job or stimulated by it. A reason for the high turnover of millennials is the fact that because of the economic recession, this generation's sense of job security has declined.

Likewise, millennials seek out teamwork and stay in close contact and communication with their supervisors, from whom they demand intense feedback. Accustomed to playing team sports and working on group projects at school, it is no surprise that they opt for this type of organisation in their professional lives rather than individual work. Their supervisors need to be in constant contact with them, not just because millennials demand it but also because through fluid communication with them, it is possible to gather significant information about how to manage and motivate them and keep them at the company.

Teamwork

Millennials have developed the capacity for working in groups and they place greater value on teamwork. This is primarily due to a shift in teaching methods, whereby students' progress are no longer

Figure 3. What Would Incite You to Change Job?

Source: Prepared by the authors using data from the survey of students of the University of Navarra's Faculty of Economics who were studying on the 2017 IESE Program

evaluated by a final exam but through continuous work carried out in groups. Social networks also play a role in millennials placing greater value on teamwork rather than individual work.

Good relationships with colleagues and supervisors are very important to millennials, as 50% of survey participants cite poor relationships with colleagues as one of the three main reasons for changing jobs and more than 40% include a poor relationship with their boss among those reasons (see Figure 3).

Millennials will know how to interpret their colleagues' opinions and will make an effort to show their true value. In the interviews conducted, millennials mention they want to work with people who are "friends, who are not very competitive, from whom you can ask for advice and with whom it is easy and pleasant to work". They also hope for "a collaborative and friendly environment in addition to a working relationship" and "a great deal of camaraderie"

Good relationships with colleagues and supervisors are very important to millennials, as 50% of survey participants cite poor relationships with colleagues as one of the three main reasons for changing jobs.

and they want "some colleagues to become friends" and "everyone to help each other mutually".

Management

The generations preceding the millennials experienced a childhood in which affection and education were wrapped in an iron fist both at home and at school, where they listened and obeyed without complaint. Nowadays, this style of education has given way to a more lenient authority. This difference in the educational development of millennials means that management of them at organisations should be different. Millennials' preference for an interpersonal relationship with their supervisors, in which they know their managers are concerned about them is a fact. Likewise, she highlights that, while ambition is the most highly valued characteristic of baby boomers and Generation Xers, millennials prefer a boss who will look out for them.

Our survey participants did not hesitate when defining the type of relationship they hope to have with their superiors: "A relaxed relationship with a lot of learning, where I feel like they want to teach me"; "In addition to giving me work and responsibilities, I want my boss to guide me and offer mentoring and feedback"; "A bit informal, where my supervisor truly wants to teach me and makes an effort so that I learn. I would like my boss not just to tell me where I make mistakes but to recognise my achievements"; "A close, trusting relationship, so I can tell the boss my concerns and for the boss to be proud of my work"; "Mutual trust, with respect, not a buddy relationship, but for them to be concerned about me and ensure I learn, for them to challenge me."

Adaptation must be bidirectional, in which millennials and organisations work together to meet the needs of both parties. Managers should be responsible for ensuring the success of this process, insisting that millennials meet the company's standards while, at the same time, making sure the company fulfills their desires.

The relationship with immediate supervisors might be a key in order to benefit from, motivate, and retain millennials. They are the ones who accompany them during their daily activities, which puts them in charge of picking up on their worries and keeping them active while balancing their dreams and expectations with reality. For a generation willing to change jobs, the soft skills and empathy of managers are becoming more and more important.

The relationship with immediate supervisors might be a key in order to benefit from, motivate, and retain millennials.

Facebook CEO Mark Zuckerberg with employees at the company's Menlo Park headquarters. Photo source: Facebook

Leadership: From Boss to Mentor

The literature distinguishes between two main styles of leadership: transactional and transformational. The former is based on bureaucratic authority and the legitimate power of the organisation. Leaders of this type focus on assigning tasks and following rules and they use rewards and punishments to influence employees. In contrast, the latter consists of a process that motivates employees by appealing to ideals and moral values. Leaders who follow this model are able to create a vision for their company and inspire others. Most structures are prepared for transactional leadership, in which the superior gives an order and the subordinate carries it out. However, millennials demand and need leadership that is centred on people, where the reason for their activities and responsibilities is explained clearly.

The current mix of generations within organisations makes leadership more complex than in previous years. Therefore, given this difference between millennials and previous generations, the traditional focus is not successful. Millennials want leadership focused on feedback and achieving goals, in which special importance is given to the transformational style and coaching.

Regarding this type of leadership, it might be a good idea to leave behind the role of the boss and replace it with that of the mentor. Millennials have as much to teach as they have to learn. Therefore, many studies highlight the importance of reverse mentoring as a way of getting them involved in their new workplace.

Likewise, we want to stress the benefits for both parties involved in reverse mentoring. While millennials benefit from greater access to information, professional respect and appreciation, as well as personal achievement and satisfaction,

Millennials want to make decisions as part of a team because this allows them to feel confident about their actions but, at the same time, they want their bosses to make decisions independently.

members of previous generations gain greater technological expertise and dynamism. In fact, the process of reverse mentoring can improve work relationships and increase commitment from both parties, as well as generate new projects, processes, and products that will benefit the organisation.

Other researches also suggest that informal and formal knowledge transfer in classrooms or learning communities, in which employees are grouped by area of interest or experience, can be effective. In this regard, new technologies enhance the training of these communities and so, quite simply, those in charge of these policies could promote their use and development within the organisation.

Organisational Structure for Millennials

According to Myers and Sadaghiani, millennials have three significant preferences regarding the organisation and development of work relationships, all of which summarise and concur with everything previously mentioned. Firstly, millennials hope for a good relationship with their supervisors and continuous feedback. Secondly, they want open communication in the company, in addition to being responsible for matters typically left solely to those in high positions. Thirdly, they generally prefer to work in teams.

These three aspects confirm that a matrix organisation is the type of structure in which they feel most comfortable and work best. Regarding the first point (a good relationship with supervisors and continuous feedback). One advantage to this management system is that "it stimulates interdisciplinary and

interdepartmental cooperation, getting the staff involved and motivating them. It provides employees with the opportunity to acquire functional or general management skills and it promotes a culture characterised by relationships of authority, responsibility, and account management". Moreover, controls and dual evaluation systems are two of the keys to success for a matrix organisation. Dual evaluation systems would enhance the reverse mentoring process mentioned in the previous section.

A matrix would make it easier to meet millennials' needs, such as feedback and regular evaluation of work performance. However, millennials' preference for evaluation translates to a continuous need for somebody to tell them what to do, how to do it and whether or not they are doing it well. In this sense, it is important to note that,

while this structure favors supervision, excessive use of it may be a problem since it might result in decision making being strangled.

A matrix organisation also responds better to the second point (open communication and taking control of matters often left to those in high positions) since it provides greater versatility, by promoting greater flexibility and balance in the decision-making process. The matrix is supported by an organisation that promotes conflict negotiation and the balance of power between its members and departments and features dual decision making, all of which make it the best structure to meet millennials' demands.

The third aspect (millennials' preference for teamwork) is likewise possible in a matrix organisation. Teamwork is not only preferred but required in a structure of this type, as

Figure 5. Why Do You Want to Work?
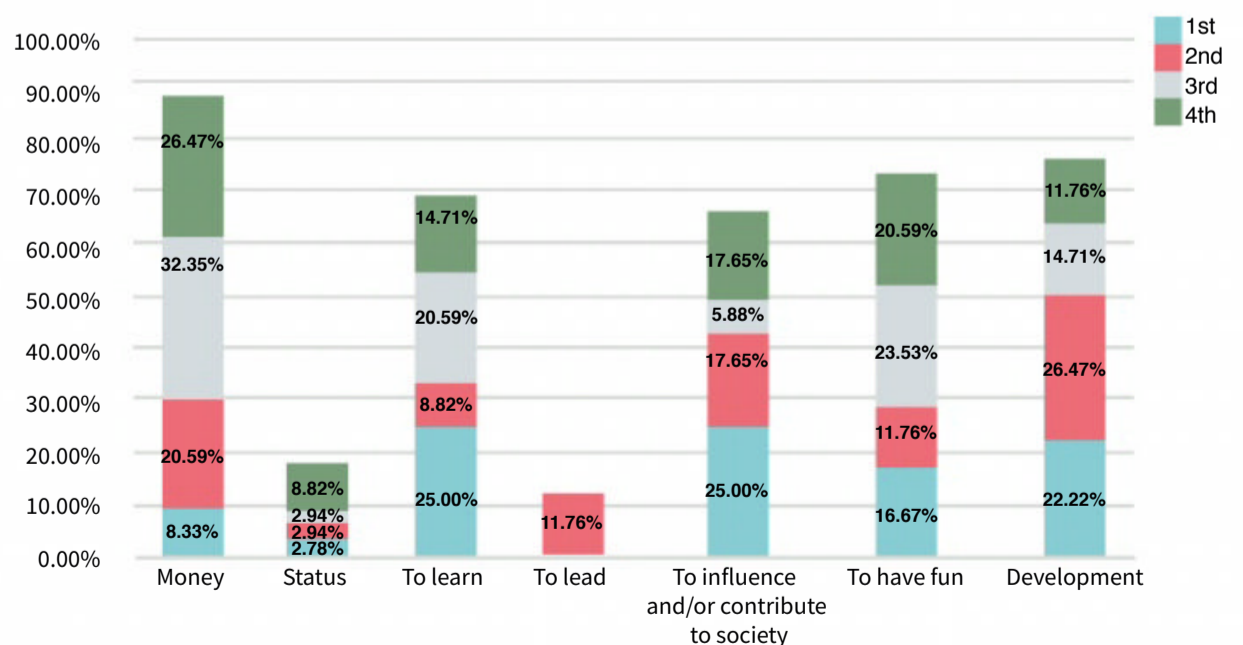
Source: Prepared by the authors using data from the survey of students of the University of Navarra's Faculty of Economics who were studying on the 2017 IESE Program

maintained by Lavezzolo and Rodríguez-Lluesma: "A matrix organisation requires extremely effective links both vertically and horizontally. Therefore, it is crucial to achieve coherence between different parts of the organisation." It requires interaction beyond the limits of projects and department teams, it would seem that, in the end, a matrix is nothing more than group decision making. While millennials might be much more comfortable with something, it might be a problem for the company due to "excessive democracy".

In addition to these three aspects, and since the matrix organisation is especially recommended when companies must innovate, the matrix will be useful when adjusting to the changes that companies must make due to the historic moment in which millennials are living. As previously argued, while millennials have a culture focused on innovation, this characteristic, together with new technology, defines not just their way of being but the era in which they live as well. Therefore, an organisational structure adapted to the needs of the 4.0 world is required. A matrix offers adaptation capacity and innovative strength, thus facilitating changes in automation, digitisation and generational turnover that companies of the 21st century are forced to make. It also promotes creativity and provides the autonomy that millennials demand.

In contrast, as previously mentioned, millennials prefer to work at companies with centralised decision making, which is more characteristic of functional and divisional structures and thus provides arguments against the idea of a matrix organisation for this generation. Millennials want to make decisions as part of a team because this allows them to feel confident about their actions but, at the same time, they want their bosses to make decisions independently. That is, they value teamwork but they want their supervisors to work separately because they feel more confident that way.

Recruitment and Retention: The Importance of a "Professional Career"

A study by PwC, the University of Southern California and London Business School (2013) shows that the reasons for staying with or leaving a company are practically the same for all generations, although the reasons' order of importance in their final decision varies. According to the study, millennials have greater expectations of being supported and appreciated in exchange for their contribution and for forming part of a team. Therefore, it is necessary to review the characteristic traits of each generation to establish work motivation policies. In fact, research shows that, compared to Generation Xers and baby boomers, millennials place greater importance on being challenged at the workplace and on mentoring and continuous training.

To explain the changes occurring within companies when it comes to seeking, recruiting, and retaining talent from new generations, Rexrode mentions Citigroup's plans. "I want people to have family lives, personal lives," said the CEO of Citigroup, while his company announced quicker paths to promotion, opportunities for charity work, and the possibility of working on microfinance projects in Kenya for four weeks, as part of its plan to recruit and motivate the youngest employees in the organisation. Likewise, Rexrode points out that entities such as Goldman Sachs, Bank of America, and JPMorgan Chase & Co. are planning similar changes in order to recruit millennials through more interesting job tasks, charity activities, and quicker promotions.

In light of all this, it can be argued that corporate culture (for the millennial generation) should be defined as an anthropological model in which the hierarchy of motivations gives priority first to intrinsic, then transcendental and, lastly, extrinsic motivations.

Career Plan

One has to distinguish between several periods of professional careers. The first is considered a stage of exploration, which is the phase millennials are going through. Individuals make choices for their careers through trial and error and if they are not pleased with their choices, they undertake new explorations or adjustments. Once satisfied, individuals begin to find stability and the efforts previously aimed at exploration are now spent on personal development within the chosen field. The problem that organisations are facing is that millennials have concerns and expectations in their explorations that are often difficult to meet. Therefore, they are considered to be a generation more prone to change and job turnover. In this regard, companies that wish to retain talent could consider rotation programs, in which millennials would take on the problems, challenges, and activities of the different departments.

It can be argued that corporate culture (for the millennial generation) should be defined as an anthropological model in which the hierarchy of motivations gives priority first to intrinsic, then transcendental and, lastly, extrinsic motivations.

Figure 4. General Principles of Human Resource Departments

Google (2015)	• Attract and retain the world's best talent. • Support Google's culture of innovation and performance. • Align employee and stockholder interests. • Pay Googlers competitively compared to other opportunities they might have in the market. • Believe deeply in paying for performance.
Facebook (2015)	• Attract the top talent in our leadership positions and motivate our executives to deliver the highest level of individual and team impact and results. • Encourage our executives to model the important aspects of our culture, which include moving fast, being bold, communicating openly, focusing on impact, and building real value in the world. • Ensure each one of our named executive officers receives a total compensation package that encourages his or her long-term retention. • Reward high levels of performance with commensurate levels of compensation. • Align the interests of our executives with those of our stockholders in the overall success of Facebook by emphasising long-term incentives.
LinkedIn (2014)	• Support, attract and retain the best talent. • Support a high-performance culture by rewarding excellence and achievement. • Recognise and retain top-performing talent via differentiated rewards and opportunities; reinforce alignment with our Company's values (in particular, a focus on excellence and an attitude of ownership). • Create alignment with our Company's long-term performance. • Provide an opportunity for each employee to share in the success we create together.
Yahoo! (2015)	• Recruit great talent to build the next generation of products that will grow revenue, and build shareholder value over the long term. • Motivate and retain that talent by developing compensation packages that reward performance in a manner the Compensation Committee believes is responsible and in line with market norms. • Deliver the majority of executive compensation in stock to align the long-term interests of management with our shareholders.
Amazon (2015)	• Attract and retain the highest caliber employees by providing above industry-average compensation assuming stock price performance. • Provide strong long-term incentives to align our employees' interests with our shareholders' interests. • Emphasise performance and potential to contribute to our long-term success as a basis for compensation increases, as opposed to rewarding solely for length of service. • Reinforces and reflects our core values, including customer obsession, innovation, bias for action, acting like owners and thinking long term, a high hiring bar, and frugality.

Source: Prepared by the authors based on the companies' annual reports or proxy statements

Day-to-Day Experience: Real Policies of Organisations

To prepare this section, we have researched the selection processes of several companies and collected information about human resource goals and policies from the annual reports of large companies.

The selection processes of companies interested in recruiting young talent are evolving. Gamification plays a significant role in this change and many companies are considering contests in which the winner receives a grant or internship. This allows companies to hire talent they have previously appraised through the simulation of work experience and the resolution of problems similar to those that people must face at the organisation on a daily basis.

With the goal of developing new employees quickly and making them feel appreciated within the company, many organisations have implemented graduate programmes. Most of these programmes consist of a period of between one and three years of rotation through the different departments or positions within departments.

Figure 4 demonstrates the main human resource policies of large companies such as Google, Facebook, LinkedIn, Yahoo, and Amazon. It is worth noting that some general principles are shared by most companies, such as alignment with the business strategy, pay for performance, recruitment and retention of the best talent, as well as external competitiveness. **EBR**

About the Authors

Guido Stein is Academic Director of the Executive MBA of Madrid, Professor at IESE Business School in the Department of Managing People in Organisations and Director of Negotiation Unit. He is partner of Inicia Corporate (M&A and Corporate Finance).

Miguel Martín is a Business Consultant in strategic and development projects for national and international companies. He obtained the Business and Administration degree at the University of Navarra, and the Masters degree in Finance at the CIFF Business School in 2017. He joined Moebius Consulting after 3 years working at IESE as a Research Assistant, where he still collaborates in the publication of several books, business cases and technical notes.

WHY LEADERS SHOULD
Encourage Employees to Rebel

BY FRANCESCA GINO

Organisations see lacklustre results when workers feel bored and constrained. By encouraging employees to rebel against convention and bring their best selves to the office, leaders can strengthen workforce engagement – and the bottom line.

When Greg Dyke arrived at the BBC in early 2000, he found an organisation in desperate need of reform. After growing for decades, the BBC was struggling financially and had lost its creative edge. To signal the type of change he wanted to see, the new general director distributed yellow cards resembling the penalty cards used by soccer referees when there's an infraction. When staff members saw someone trying to block a good idea, Dyke explained, they should wave the yellow card and speak up. He wanted employees to use the cards to "cut the crap and make it happen." The unorthodox directive was just one of many initiatives Dyke launched to give BBC employees more freedom to speak up. And it worked: After just a year with Dyke at the helm, ratings and audience satisfaction increased.

It's common for successful organisations to one day discover that the usual ways are not producing the usual results – that the company has become complacent, or been too slow to adapt to industry or marketplace changes. As the threat of failure increases, leaders lean toward dramatic action: Time to reorganise, or to rethink the organisation's values, or to merge with an industry disruptor. My research makes a strong case

for a different solution: tell your employees to break the rules. When the world slips into uncertainty, our problems become more complex. As I write in my book, *Rebel Talent: Why It Pays to Break the Rules at Work and in Life*, the rebel, undaunted by novel situations and ideas, adapts to change as a matter of course. A ground-up approach – unleashing everyone's abilities by encouraging productive rebellion – can help organisations stay competitive in shifting markets.

Nobody likes the office troublemaker. We've all had colleagues who seem to specialise in time-wasting detours, who would rather perform than contribute, whose acts of rebellion are empty exercises in showmanship. But some rule-breakers are different. The rebels in my research deserve our attention because they teach us the value of breaking rules in constructive, positive ways.

I spent more than a decade studying rebels in different organisations around the world, from high-end boutiques in Italy's fashion capital to a thriving fast-food chain to an Oscar-winning computer animation studio. I identified leaders and employees whose shared talents help them break rules that hold companies back.

Some rule-breakers are different. The rebels in my research deserve our attention because they teach us the value of breaking rules in constructive, positive ways.

The first is a talent for **novelty**: rebels embrace unfamiliar situations rather than avoiding them. Many of us choose to stay in the same careers, slogging through the same tasks, for years and years. We tend to think that stability is the key to happiness at work and trade our deeper passions for the comfort of routines.

But when I surveyed a group of 300 new employees across a wide range of organisations and industries in the United States, I found that the more frequently they experienced novelty at work – whether by learning new skills, meeting new colleagues, or engaging in challenging tasks – the more satisfied and energised they were in their jobs, and the longer they hoped to stay with the organisation. Stability didn't seem to bring the same type of benefits. When employees said their job felt "more or less the same every day," they were less satisfied and more eager to move on. This is not a US-specific finding: the same is true – my research shows – in organisations across the globe.

No matter our responsibilities, there are always chances to inject a bit of novelty into them, even when the work is all about execution and requires a lot of repetition. In most fast-food chains, new workers go through a two-hour training session per process before starting on the line. But not at Pal's Sudden Service, a drive-through chain whose boxy blue restaurants include statues of fries and burgers on their roofs.

At Pal's, employee training averages 135 hours and can span six months. And that's hardly the only break with convention. In most fast-food chains, predictable schedules tell employees what they'll be doing day to day. At Pal's, variety is a key feature in station-to-station shifts. Employees learn the order in which they'll move from station to station when they arrive at work each day. Pal's is the type of workplace where boredom and tedium could set in easily. To make sure that it doesn't, managers inject some unpredictability into the workday – with great results.

Another important rebel talent is **perspective**. Many of us take just one view of a situation or problem: our own. But the rebel always considers multiple options and perspectives. Take Capt. Chesley "Sully" Sullenberger, the pilot who landed his plane safely in the Hudson River on a cold January day in 2009. Sully had only 208 seconds between the time he realised the plane had lost thrust in both engines and the moment it hit the water. Most pilots in his situation would have favoured the most obvious solution: land at the nearest airport. Sully, instead, ran through all sorts of alternatives, despite the limited amount of time he had. Rather than asking what he should do, he kept asking what he could do -shifting his thinking from one option to many. By broadening his perspective, Sully did not only follow the usual crisis procedures: he found a solution that was not part of the script. Rebels don't have to choose between creative thinking and decisive action; they can manage both.

Rebels maintain their broad perspective in part because they approach situations by asking "What could I do?" rather than "What should I do?" This type of framing, I've found in my research, leads us to creative thinking and better decisions. For instance, my colleagues and I conducted an experiment in which participants faced ethical challenges that seemed to offer no good choice. One group was asked "What should you do?" while the other was asked "What could you do?" Participants in the "could" group were able to generate more creative solutions. Approaching problems with a "should" mind-set guides us to the obvious answer. But "could" stokes our imaginations, helping us find a better one.

Rebels also have a talent for **authenticity**. They don't disagree for the sake of it, but invest time and thought in informed opinions, and stick to them even when a co-worker or a boss disagrees. Rebels stay authentic by expressing their views even when

Rebels don't have to choose between creative thinking and decisive action; **they can manage both.**

The challenge for both workers and managers – as well as partners, teachers, and parents – **is to sculpt our days to bring out our very best and to help others do the same.**

everyone else seems to agree on a different course of action; they do not cover up at work but act in ways that are consistent with their values and preferences. And they are also not afraid of expressing who they are at work. By doing so, they boost performance and satisfaction in their jobs. Consider a field study my colleagues and I conducted in the business-process-outsourcing division of the Indian IT firm Wipro. The division had been struggling to retain workers; most would exit after just 45 to 60 days with the company. We asked a group of recruits to reflect on their strengths and how they could adjust their jobs to bring them out. The effects were impressive. Compared to employees who went through the standard Wipro welcoming process, recruits were given a chance to reflect on their strengths were more satisfied in their work. They performed better and stayed with the company longer.

Ed Catmull, co-founder and former president of Pixar Animation Studios and Walt Disney Animation Studios, worried that new employees would be intimidated into silence by their colleagues' record of success, leading to a culture in which the old ways escaped potentially constructive scrutiny. His solution? When Catmull spoke at welcoming sessions, he talked about Pixar's mistakes. We are all human, he reminded new employees.

My colleagues and I collected data from different contexts to identify evidence for the power of authenticity, and we found it – consistently. One setting involved a "fast-pitch" competition in which 166 entrepreneurs presented ideas to a panel of three venture capitalists. The investors filled out a scorecard after each pitch and then deliberated to choose 10 semi-finalists. Post-pitch, we asked the entrepreneurs to answer a question about whether they were being themselves (genuine, authentic) when giving their presentations. The result? Entrepreneurs who felt authentic were three times more likely to advance than those who did not. Being real matters.

Thanks to authenticity and other talents, rebels challenge the status quo in ways that drive positive change. Renaissance master Michelangelo described sculpting as a process whereby the artist releases an ideal figure from the block of stone in which it slumbers. All of us possess ideal forms – our own fire, our signature strengths. Rules and established ways of working get in the way and make it challenging for anyone to bring out their fire. Employees at the BBC were used to a general director that very much managed from a central office: they received direction from him and they executed on the work. Dyke, instead, showed up in the cafeterias at lunch, across all sorts of locations in the UK, asking employees for their views – -interested in knowing how he could help them do their work better. Following the spirit of Michelangelo's quote, he started sculpting. Other leaders would stand to benefit from the same approach. The challenge for both workers and managers – as well as partners, teachers, and parents – is to sculpt our days to bring out our very best and to help others do the same.

About the Author

Francesca Gino is an award-winning researcher and teacher, and a tenured professor at Harvard Business School. Her consulting and speaking clients include Bacardi, Akamai, Disney, Goldman Sachs, Honeywell, Novartis, P&G, and the U.S. Air Force, Army, and Navy. She has been honoured as one of the world's Top 40 Business Professors under 40 and one of the world's 50 most influential management thinkers. Her work has been featured on CNN and NPR, as well as in the *Economist*, *Financial Times*, *New York Times*, *Newsweek*, *Scientific American*, and *Psychology Today*.

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The **Workplace Powered By AI** Has Arrived, and Its Impact on **Productivity**

BY JAMES CAMPANINI

For many businesses and consumers in general, there seems to be a level of suspicion or scepticism surrounding the AI technology. The author argues that AI does not have to be this intimidating. In the future of work, AI is most likely to be deployed as an extension of existing tools, and integrating AI into the workplace can help make life easier; whilst improving collaboration and productivity.

The workplace of the future is going to be made up of hyper connected workers, and AI will play its part in ensuring this outcome. Soon, digital assistants, voice-controlled devices and "huddle rooms" will be commonplace in the office. For businesses, this rise in AI assistance will greatly improve workplace collaboration and free up valuable time for employees to undertake more productive activities.

Today's tech-savvy employees are well-versed in tech such as live video and instant messenger to connect and collaborate from anywhere in the world. The introduction of AI will act as an extension to this technology. It's therefore crucial that businesses implement these technologies into their professional working environment sooner rather than later. If businesses fail to equip their workers with the best tools, then they'll lose out on the best talent. With recent research from Mercer having shown that 51%[1] of employees still demand tech to improve their workplace and flexible working experiences, more needs to be done.

We can expect to see a significant percentage of cloud-based companies start to bring AI into the fold to assist in streamlining their key business functions. Adoption of AI is a certainty and will be done with collaboration and productivity at front of mind. The crucial element is ensuring workers have the tools at their disposal to maximise the ROI of implementation.

Creating a workplace where workers are not penalised for working from home and can dial in to meetings no matter their location, is what the smart offices of the future will be all about. If businesses can effectively implement AI with the already existing workplace tools such as live video and shareable docs, these valuable time-saving tools will empower employees to do their best work, uninhibited by the trivial obstacles that previously sapped from their day.

AI to act as an extension of existing tools

For many businesses and consumers in general, there seems to be a reticence towards AI, or at the very least, a level of suspicion or scepticism surrounding the technology. This is perhaps understandable with the grandiose headlines in the media detailing AI-related horror stories that will supposedly leave millions out of work. But, whilst those stories make for good headlines, they are misleading in terms of the positive role that AI can play in the future of work.

The reality is, AI does not have to be this intimidating, all-encompassing presence; in fact, the likelihood is that in most cases it will be far from that – improving the workplace experience instead. In the future of work, AI is most likely to be deployed as an extension of existing tools, with the aim of adding to the capabilities of pre-existing technology; improving the resources that workers have at their disposal. Integrating AI into the workplace can help make life

> *For businesses, this rise in AI assistance will greatly improve workplace collaboration and free up valuable time for employees to undertake more productive activities.*

easier; whilst improving collaboration and productivity. These changes may not seem transformative, but these cumulative gains make a big difference over time.

Integrating AI into existing technology

As an example of how AI can be integrated into existing technology, to play a key role in the future of work, a U.S. company recently announced a new meetings platform which has embraced AI to make video meetings simple and trustworthy. The new platform incorporates AI in various different forms; from Amazon Echo voice control, to Kaptivo interactive whiteboards and Voicera digital assistants.

Developments like this are a great insight into what the workplaces of the future will look like – offices with smartly deployed technology, that can streamline tasks and improve worker experience. Smart offices should aid employees to help them deliver their best work – they should be supporting staff, not replacing them.

In fact, Voicera's Eva is a transcription solution that joins your meetings like all other participants, listening, taking notes and providing highlights – it's a part of the team. Full transcripts and recordings, as well as action items, are also saved and available to be shared with all attendees and non-attendees straight after the meeting. Not only is this a useful tool in practical terms but also it's a pragmatic time-saving solution to boot. By having a piece of tech transcribe the meeting in full, it negates the need for a designated scribe at the meeting, which will no doubt be music to the ears of many. The unwanted role of note-taker can be delegated to AI, which means that all employees are

The future of work is not simply about automating tasks, it's about improving people's ability to collaborate with one another.

available to actively contribute in the meeting, adding real value to the meetings instead of frantically taking notes. This small integration has a noticeable impact on productivity; with employees freed up from the responsibility of making notes and sharing them post-meeting, they can focus their efforts on more important and profitable tasks that AI could not.

Tamara McCleary, CEO at brand advocacy firm Thulium agrees that well-implemented digital assistant can aid efficiency as well as job satisfaction.

Tamara also believes that smart assistants keep us organised, efficient, and frees up time to spend on the tasks that truly require an individual's creative expertise. If we all did an honest accounting of our day-to-day activities, we'd most likely find that many of the things that take up the bulk of our time and energy could be better performed and managed by a smart assistant. For instance, how would your life change if you didn't have to manage your email?

Beyond automation

But the future of work is not simply about automating tasks, it's about improving people's ability to collaborate with one another. Automated transcription is a useful tool, but equipment such as interactive whiteboards, which can capture images and live stream content, provide services that employees could not; bringing generic meetings to life in the process and creating an engaging and informative meeting, centred around improved collaboration. This function, supported by time-saving improvements, such as using Amazon Echo to dial-in to calls and act as a speaker phone, typifies what the workplace of the future will be all about – pooling resources to provide workers with convenient technology, that makes their life simpler and maximises their output.

That being said, Joanna Young, Chief Delivery Officer at professional services firm BlueLine Associates, offered some words of caution regarding AI. Specifically, that technologies such as AI and RPA (robot process automation) are still in their infancy, though RPA is both further along and has less barriers to adoption.

The impact on the workplace will only be as good as the design and implementation. Poorly implemented AI could have disastrous effects on a company, its customers and its workforce. Businesses looking for productivity improvements are well advised to start small, measure carefully and learn. However, they should plan for this small start soon because the initial learning is critical to identifying and prioritising where AI can have a positive impact, Joanna adds.

The future of work does not need to be a seismic shift from the current state of play. It merely needs to focus on improving the quality of the tasks that are already a staple of day-to-day office life. As communication and collaboration technology continues to improve, more people will be working remotely and companies will not be limited by geography when recruiting talent, so long as they have the tools to facilitate productive work. AI has a hand to play in improving collaboration and increasing productivity by acting as an extension of existing tools and automating mundane tasks that eat away at employee's precious time. ■

About the Author

James Campanini is an experienced General Manager and Vice President of Sales with a demonstrated history of working in Networking hardware and the Computer Software industry. Strong sales professional skilled in Enterprise Software Sales, Cloud, Networking and Software as a Service (SaaS).
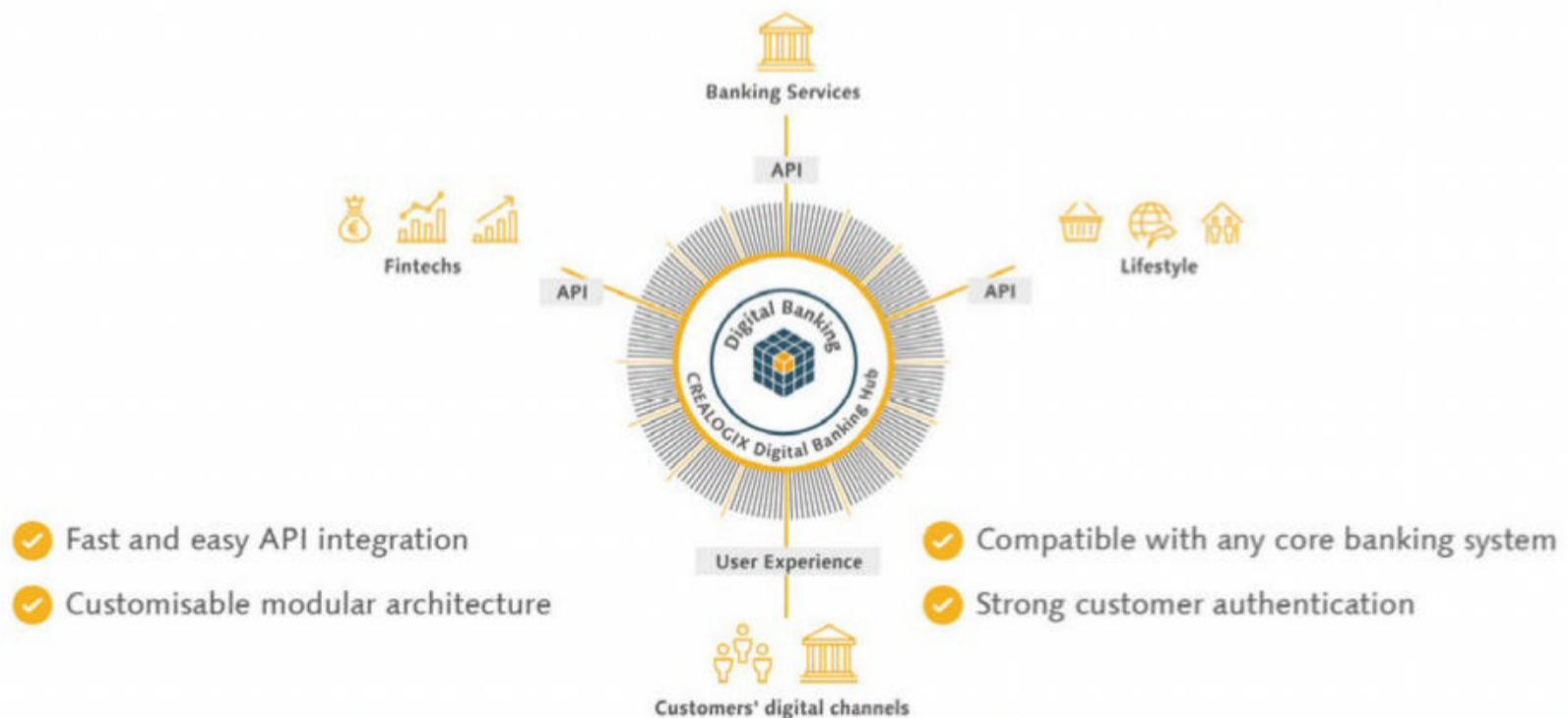
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Embrace Disruption in Financial Services
BECAUSE IT'S HERE TO STAY

BY JIM TOMANEY

The dinosaurs of old are ready to be challenged by businesses that have evolved and are hungry – This article discusses how technology starts to influence and transform the financial services sector, considering the innovations in ATM during this new wave of tech disruption provided by prepared businesses to offer change.

Traditionally, the pace of innovation in financial services has been sluggish, glacial even, particularly when you consider how other industries have evolved over the years. Tuning your television into a VHS recorder using a dial will likely strike a chord with anyone over 30, yet it's a distant memory compared to how we watch things today.

Until very recently that same level of innovation, combined with any sort of desire to change, had spectacularly failed to spill over into the financial services sector.

Yet, at long last, change is afoot. 2018 was a disruptive year in financial services with fledgeling Fintechs and challenger banks starting to make pulses race under the neatly ironed collars of large-scale financial enterprises.

This new momentum in innovation for financial services can be attributed to three key factors. Consumers expect more when it comes to their experience of financial services; Fintechs are prepared and able to offer change; and the infrastructure, both social and technical, behind traditional access to financial services is changing. We don't need to go into banks anymore.

As recently published in Pricewaterhouse-Coopers' 19th Annual Global CEO report, 81% of banking CEOs are concerned about the speed of technological change, more than any other industry sector. What a refreshing statistic. Through technology, new players in global financial services have found a backdoor into the market and come armed with some very specialist knowledge and creative ideas about how to meet the rising tide of 21st century consumer demands.

The 50-year ATM experience

Consider the Automated Teller Machine (ATM) in the context of this welcome wave of disruption to financial services, for example. When the first ATM was opened at a Barclays in North London in 1967 it represented the pinnacle of technological innovation in banking, both improving customers' experience, reducing operating costs for banks, while increasing convenience for everyone involved. It was hailed as a revolution in money management.

Until very recently however, 50 years later that is, very little has changed in respect to innovation in the service. ATMs have, for the large part, come to be perceived as cash dispensers. Given the impact of contactless and the heavily reported dearth of cash, you could be forgiven for thinking they prob-

Banks need to re-think their approach to technology and **BE BOLD**.
The move away from lethargic legacy technology towards a leaner, more agile cloud-native approach would significantly improve financial organisations' ability to respond, innovate, and bring new and robust products to market at pace and without having to take risks.

ably won't be around much longer, particularly if they're becoming unprofitable for operators.

Vendor lock-in and the perpetual cost of having to routinely upgrade legacy architecture has been a major turn off for banks when it comes to innovation in the ATM space. A chronic lack of desire to invest and improve the consumer experience makes your average high-street ATM look about as intuitive as mud.

Now, however, thanks to the availability of more appropriate 21st century cloud technology, the agility and flexibility to allow for new ATM functionality has been rolled out by businesses that see the potential for change and improvement.

"Smart ATMs" built using agile cloud technology and working tandem with other innovations, including mobile banking, are turning these "cash dispensers" into a convenient way to offer customers a range of financial services without having to step foot into a bank, in other words they are creating a "branch-in-a-box". Given the rate at which bank branches appear to be closing, across the UK at least, this break in the mould couldn't have been timelier.

ATMs could become the ideal tool through which the availability and coverage of financial services can be maintained and eventually, increased. Exclusion from financial services is becoming a real concern in rural areas, to the extent the issue is now under debate in House of Commons. In developing countries some of who face endemic levels of financial exclusion, ATMs are a window to the connected world for both the banked and the unbanked, creating possibilities that can genuinely change people's lives for the better.

The recently announced "Next-Gen" initiative from the ATM Industry Association is a campaign that seeks to catapult ATMs into the 21st century and beyond. It illustrates that across the industry, positive change is *en route*. The dinosaurs of old are ready to be challenged by businesses that have evolved and are hungry.

Fortune favours the bold

Innovation in the ATM industry is just one example of how Fintech is injecting new life into financial services. Challengers are succeeding throughout the sector because they recognise the winning formula is offering a better consumer experience at a much lower price and being brave enough to take the plunge. Take Monzo's concept, for example; all the power of a current account, free (unlike many current accounts offered by banks), with sophisticated money management tools, all controlled from an app on your phone.

One of the single biggest constraints financial organisations face when it comes to responding to new demands is the technology that underpins their payments platforms. It's old, too old, and clunky. Particularly when it comes to ATM technology and other cogs in the payments cycle, the architecture and code behind these systems was written back in the 1980s and 1990s. It is incredibly hard to see how a system built around – and they are built around, to the side, on top, and patched on wherever else possible – legacy technology is expected to work alongside and be integrated with today's technology.

Over the last 12-or-so-months the financial services sector, and particularly banks, have had their fair share of high-profile crashes and outages. The reputational damage these create is immense. More often than not they are caused by trying to integrate modern technologies, often deployed in public or private clouds, to traditional processing platform which are embedded in legacy systems and protocols.

Banks need to re-think their approach to technology and be bold. The move away from lethargic legacy technology towards a leaner, more agile cloud-native approach would significantly improve financial organisations' ability to respond, innovate, and bring new and robust products to market at pace and without having to take risks. Innovation in financial services is now being driven by businesses that are prepared to offer change. ■

About the Author

Jim Tomaney is the chief operating officer at Renovite Technologies Inc. He has 30 years of experience building, delivering, and selling enterprise payments solutions and associated services for the transaction processing industry across the world. He has worked in a variety of senior roles delivering solutions for organisations including Barclays, ING, CIBC, Bank Of America, ABN AMRO & Vocalink and working with ACI Worldwide, Wincor Nixdorf, Level Four Software and Barclays Bank.

The Eight Common Mistakes That Entrepreneurs Make When Negotiating

BY SAMUEL DINNAR AND LAWRENCE SUSSKIND

We all know the statistics. Most start-up businesses fail. While many experts attribute the high failure rate to the risks associated with innovation, we have found that an equally significant cause is the mismanagement of key relationships, and more specifically, the way that founders and entrepreneurs negotiate.

Being the leader of a start-up company entails a range of negotiations with partners, potential partners, investors, and others at various stages of the growth process – from the "seed" stage when the business is just an idea to later stages when the company is generating revenue and facing expansion challenges. Through the research and interviews for our book *Entrepreneurial Negotiation: Understanding And Managing The Relationships That Determine Your Entrepreneurial Success* (Palgrave Macmillan, 2019), we have discovered that successful entrepreneurs are those who, although they make mistakes when negotiating, are able to recover and learn from their errors.

Our research also revealed that there are four factors that make entrepreneurial negotiation particularly treacherous. These are: emotions, relationships, uncertainty, and complexity.

- **Emotions** – Entrepreneurs must overcome the strong emotional reactions that arise when they feel their egos or their inventions are being threatened. This happens when they are expected to give up some control over their creations in exchange for someone else's money or support.
- **Relationships** – Relationships are key in entrepreneurial dealings, and many of them are long-term despite being forged very quickly.
- **Uncertainty** – Innovations in technology or disruptive business models are hard to understand and very difficult to forecast, and so are some of the fast-moving markets they operate in.
- **Complexity** – Complexity introduces significant barriers to communication between parties, and to reaching negotiated agreements.

The most common negotiation mistakes that entrepreneurs make when trying to come to grips with the challenges of emotions, relationships, uncertainty, and complexity are:

1 Entrepreneurs Deny Their Emotions

Entrepreneurs, being human, have a strong sense of what is fair and what is not. Whether they are overtaken with excitement when things go well, or are facing anxiety when they feel mistreated, negotiators are influenced by what psychologists call cognitive biases – non-rational biases that dominate logic. An emotional flood, caused by one or more triggers, is often behind many negotiation mistakes. Some entrepreneurs see themselves as highly capable scientists, engineers, lawyers, or managers who focus on logic and facts. When they lean too heavily in this direction, though, and deny the importance of emotion (and ego), they get into trouble. Discounting relational skills can cause them to misread what the other side is thinking. If they fail to acknowledge the powerful impact emotions can have, they will prepare incorrectly for important negotiations and fall victim to the self-fulfilling nature of cognitive biases (i.e. we see what we want to see and hear what we expect to hear).

2 Entrepreneurs Rely Too Heavily on Their Intuition

Entrepreneurial negotiation involves many moving parts and multiple factors must be considered simultaneously, which can create surprises.

When entrepreneurs are required to respond suddenly to these surprises, many rely on their intuition – and the instincts that made them successful. But often they don't know why or how their intuition worked in the past. Because of this, they are shooting in the dark. Thus, they find new kinds of interactions (or old kinds of negotiations with new people) extremely frustrating: what worked before isn't working this time. When negotiations don't go as expected, many entrepreneurs blame the difficulty on the other side. To make matters worse, these same problems can keep occurring because they don't learn from their mistakes. This is because they have not taken the time to develop a clear-cut personal theory of practice based on what works, instead of relying on intuition alone.

3 Entrepreneurs Haggle

Unfortunately, bad examples of negotiation abound in pop culture and news media. First and foremost is the notion of haggling – focusing on a single issue such as price under the assumption that more for one side always means less for the other. Such "zero-sum" bargaining often leaves both sides worse off than if they had explored other issues that could lead to mutually advantageous outcomes.

Entrepreneurs believe strongly in the uniqueness and value of their company, product or idea. They develop convictions about non-negotiable items that cause them to fall prey to "tunnel-vision." Demands from the other side that are perceived as unreasonable may trigger strong emotional reactions, and cause escalation in rhetoric, positional posturing, and self-defeating lock-in. These are all traps that can be avoided.

4 Entrepreneurs Work Alone

A lean start-up can accomplish what many larger competitors cannot, and some founders are true visionaries who can single-handedly transform an entire industry. But when leaders assume that they are the only ones with sufficient insight to understand what is really at stake, and they prepare alone and try to negotiate solo, they are often their own worst enemy. Acting alone can cause them to misread signals (cognitive biases again), react unreasonably, or vent at the wrong time. A trusted advisor or partner can provide balance. Negotiation should be seen as an organisational task.

5 Entrepreneurs Are Too Quick to Compromise

Entrepreneurs must "get thing done" under serious time pressures and multi-tasking challenges. They often feel pressured to make quick decisions so they can get back to the more interesting parts of building a great product or service. But quick compromises may be bad for everyone, and leave significant joint gains unexplored.

When the stakes are very high, the pressure to compromise builds. There may be fear of undermining an important relationship or risk losing the entire unique deal opportunity. Entrepreneurial negotiators who are afraid to invest in the exploration of possible value creating options don't do themselves any favours.

6 Entrepreneurs Need to Win – Now.

Many business leaders are highly competitive individuals. Their objective is to win every encounter. Overly competitive entrepreneurs, however, may be inappropriately concerned about doing better than (i.e. beating) their counterpart than about maximising their own results. They may be too focused on the outcome of one interaction, instead of considering the impact on long-term relationships that depends on the other side feeling good about today's deal (such that they will want to come back for more in the future).

7 Entrepreneurs Are Overly Optimistic and Overconfident

Innovative endeavours are often wrapped up in significant technical, engineering, and scientific uncertainty. Trying to modify markets and reshape customer behaviour in a changing regulatory landscape and an unpredictable economic environment causes increasing risk. But many entrepreneurs are supremely confident in their predictions, and believe their past successes are predictors of their ability to beat-the-odds. Thus, they may fail to formulate contingent plans, assuming that negotiations will go well. Or, they may put too much trust in their ability to deal with whatever problems arise. In the agreements they reach, they may fail to include contingent clauses or dispute resolution provisions.

Successful entrepreneurs manage all these negotiations in a manner that is consistent with their own values, priorities, and preferences, but they also have a self-awareness that enables them to make adjustments and switch directions.

8 Entrepreneurs are Self-Centred

Entrepreneurs are very focused on their own actions and interests. To an extent, this is beneficial in a start-up situation. But, it may come at the expense of considering the needs and priorities of others. If they stay in a self-centred mind-set, entrepreneurs can misinterpret their counterpart's underlying interests. They may also ignore the interests of their partners or parties who are not at the table. Such a mind-set may cause them to over-react or attribute bad intentions to others whose positions are in conflict with their own ego-centred desires. Entrepreneur who is assertive can serve their own interests, but if they do not listen empathetically to the concerns of the other side, they may cause negotiating partners to reciprocate, incurring unnecessary costs for both.

In our interviews, we began to see these eight mistakes occur over and over again as entrepreneurs engage with a range of internal and external players: external backers (such as investors), internals (such as the co-founders and the employees who form the backbone of the company), front-liners (individuals, agents or partners that represent the company to the outside world) and outsiders (people who have little or no current knowledge of the company, but who may become future customers, employees, investors or partners).

Successful entrepreneurs manage all these negotiations in a manner that is consistent with their own values, priorities, and preferences, but they also have a self-awareness that enables them to make adjustments and switch directions. They know when to seek help from colleagues and advisors. They carefully prepare for each negotiation, and pay close attention during face-to-face interactions, finding ways to both create and distribute value that both sides can judge to be fair. They are disciplined about following through on their commitments and tending to relationships. They also reflect carefully on what is happening in order to further refine their personal theory of practice.

If entrepreneurs treat negotiation as one of their most important responsibilities, they can prevent serious mistakes, detect errors as soon as they make them, and respond effectively when they do occur. Effective entrepreneurial negotiators develop a life-long commitment to reflection on their past negotiations and commit to acquiring the skills needed to adjust in a fast-changing world. ⬛

About the Authors

Samuel Dinnar, co-author of *Entrepreneurial Negotiation*, is an instructor at the Program on Negotiation at Harvard Law School and the Massachusetts Institute of Technology in Cambridge, Massachusetts. As founder and President of Meedance, he provides global consulting services and serves as a mediator specialising in business conflicts that involve founders, executives, investors, and board members. To learn more, visit: www.EntrepreneurialNegotiation.com or www.meedance.com

Lawrence Susskind, co-author of *Entrepreneurial Negotiation*, is a professor of urban and environmental planning at the Massachusetts Institute of Technology, co-founder of the Program on Negotiation at Harvard Law School, and the founder of the Consensus Building Institute in Cambridge, Massachusetts. To learn more, visit www.EntrepreneurialNegotiation.com

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MBSIV: A Framework for Creating a Sustainable Innovation Culture

BY KRISTINE MARIN KAWAMURA AND SIMON L. DOLAN

Innovation has been consistently found to be the most important characteristic associated with organisational and market success. Some companies are brilliant at innovation while others, for all their efforts, cannot sustainably deliver successful innovations. Why do some firms succeed while others fail? This paper proposes that sustainable innovation occurs when leaders and managers are able to break open their innovation search space by emphasising need pull innovations and harnessing the innovation energy of user- and customer-innovators; develop the strategic dynamic capabilities of values-based innovation culture and management system; and transition their management systems to "Managing by Sustainable Innovation Values" culture (MBSIV). With its three essential axes (economic-pragmatic, ethical-social, and emotional-developmental), MBSIV allows management to develop a values-based, high-involvement, performance-oriented innovation culture, which becomes a distinctive competency for the firm for delivering innovatory and competitive advantage.

As the Greek philosopher Heraclitus once said, "The only thing constant is change." Not only is change central to the universe, it is a central component in all human, organisational, and

Research shows that organisational leaders can **"spark"** a unifying vitality and commitment among employees and unleash their firms' potential for creativity, initiative, and innovation by developing, or uncovering, an organisation's unique purpose.

societal development: the child grows into the adult; the organisation strategically adapts in response to the influence of environmental forces; or, as a society shifts from a nomadic band of primitive hunter-gatherers to an egalitarian society, it becomes more complex and centralised, demanding more technology, innovation, governmental regulation, and leadership[1]. Change, too, is a vital aspect of science, which further associates the notion of change with energy. According to physics, energy is a property of all objects and is transferable among them via fundamental interactions. Energy can be converted, changed, into different forms, but it cannot be created or destroyed. Energy, too, may be lost, unavailable for work, which in turn is measured by entropy – normally viewed as a measure of the system's disorder.[i]

Organisations, too, can be associated with notions of change and energy. Change serves as a catalyst for the successes and failures of 21st century organisations and societies that must withstand and even flourish in the midst of the risks associated with numerous economic, environmental, geopolitical, societal, political, and technological transformations: un- and underemployment; the flair up of interstate conflicts; terrorism; the energy, fiscal, and water crises; profound social instability; large-scale voluntary migration; and critical information infrastructure breakdown[2]. Furthermore, the energy and

vitality of individuals and organisations have been found to depend on the quality of the connections among people in the organisation and between organisational members and people outside the firm with whom they do business[3]. Research shows that organisational leaders can "spark" a unifying vitality and commitment among employees and unleash their firms' potential for creativity, initiative, and innovation by developing, or uncovering, an organisation's unique purpose[4]. Purpose is intimately connected to the values of both the organisations and its leaders and may be engendered by the use of values-driven leadership and management systems[5]. Entropy, too, may occur in organisations when self-organising living systems are ignored or when their strategies and cultures are not based on wholeness, interdependent relationships, open communication, shared information, shared values, and trust[6].

Innovation, consistently found to be the most important characteristic associated with organisational and market success[7], is also deeply rooted in the notions of change and energy. Innovators seek to change the status quo, exploring how to do something different or do something better, how to turn opportunity into new ideas and putting them into widely used practice[8]. They look for ideas from multitudes of sources that trigger the process of taking an idea forward, revising it, weaving its' different strands of "knowledge spaghetti" and relational connections together towards a useful product, process, or service[8].

Innovation is rooted in its own source of energy: *innovation energy* has been described as the 'pattern' behind successful innovation, which is the confluence of three forces: an individual's attitude; a group's behavioural dynamic; and the support an organisation provides for enabling innovation[8](p.141). At the heart of innovation is the ability of leaders and managers to energise and engage the people of the firm –to get them fired up about the firm's bold vision (right attitude), breaking established behaviour patterns so that people employ "right" innovation behaviours and create the "right" organisational support, environment, and leaders to powerfully fuel innovation energy[8]. Leaders generate, harness, and manage innovation through developing a values-based, high-involvement innovation environment, culture, and climate. They create a high-involvement innovation environment – a condition where everyone is fully involved in experimenting and improving things, in sharing knowledge, and in creating an active learning organisation – by building a shared set of *sustainable innovation values* that bind people together in the organisation and enable them to participate in its development, driving both incremental and radical innovations and maximising organisational performance[8,9,10,11]. A high-involvement innovation climate is characterised by emotional safety, respect, and joy derived through emotional support and shared decision-making, creative self-efficacy, reflection, open communication, and divergent thinking[12].

This paper proposes three

At the heart of innovation is the ability of leaders and managers to energise and engage the people of the firm – to get them fired up about the firm's bold vision (right attitude), breaking established behaviour patterns so that people employ "right" innovation behaviours and create the "right" organisational support, environment, and leaders to powerfully fuel innovation energy.

interrelated strategies for creating a high-involvement innovation environment, culture, and climate:

1. Break open the innovation search space by emphasising *need pull* innovations, harnessing and leveraging the innovation energy of user- and customer-innovators;

2. Recognise that developing a values-based innovation culture served by a values-based management system serves as a strategic dynamic capability for the firm that enables it to capitalise on its strategic human and innovation resources; and

3. Transition its management system to Managing by Sustainable Innovation Values (MBSIV) – a values- and innovation-based leadership tool that motivates innovation energy, enhances user- and customer-innovation, and address the many management challenges of the 21st century.

The Evolution of the Innovation Space

Innovation occurs within an innovation space (defined by paradigm, product, position, and processes) within which an organisation can operate and innovate[13]. Traditionally, the boundaries of the innovation space were based upon the firm's internally-based resource capabilities along with those developed through strategically-developed partnerships along its value chain. Today's best innovators are breaking open the boundaries of the innovation search space. Several strategies have emerged: breaking industry compromises to release enormous sources of stored value and achieve breakaway growth[14]; creating "blue oceans," untapped market spaces that are ripe for growth[15]; and disrupting the industry's cost structure by working at the fringes of a mainstream market, addressing unmet user needs[16].

Expansion of Need Pull Innovation

This paper proposes that the firm's innovation search space and landscape will also be further expanded and redefined through the growth of need pull innovation, which is correlated with the emergence of user- and customer-based innovation. As opposed to *knowledge push* innovation that underlies large organisational R&D departments, need pull innovation is developed in response to real or perceived needs for change from the buyers, adopters, clients, and/or users of products and services[8].

Need pull innovation arises from the evolutionary

As opposed to **knowledge push** innovation that underlies large organisational R&D departments, **need pull innovation** is developed in response to real or perceived needs for change from the buyers, adopters, clients, and/or users of products and services.

and transformative forces of globalisation, digitalisation, and virtualisation[17], which have fueled the innovatory forces of democratisation, open and networked innovation, and personalisation, and mass customisation/consumerisation (i.e. a market size of 1). Democratisation affects firm capabilities, as computer hardware and software democratise access to tools that were only possible in a firm environment before. This makes citizens more capable of engaging in their own solutions (innovations) for their problems. Open and networked innovation affects firm coordination, as the Internet has greatly improved the ability of users to coordinate their efforts, so that more complex endeavours can now be produced as a result of coordinated individuals[18]. The move to personalise firm capabilities to "market sizes of 1" allows firms to meet individual user's needs with unique, inimitable solutions[19].

User- and customer-centred innovation strategies and practices, in turn, are also emerging, offering advantages over firm-centric innovation development systems: the individual is no longer simply regarded as a buyer with needs for manufacturers to identify and serve, but as individuals that develop their own solutions, therefore becoming users *and* innovators (i.e. "user-innovators" or "customer-innovators")[20]. User-oriented innovation further individuates while also wildly expands the potential for the firm's innovation search space, as the firm can now experience a rich outpouring of innovation energy from an $n^{(n+1)}$ number of sources across its open, unbounded innovatory ecosystem.

The Strategic Capability of a Values-based Management System

The dynamic capabilities approach to competitive advantage states that the managerial and organisational processes used by a firm – the way

Values serve as the foundation for developing organisational culture, passion, and shared commitment and the cornerstone for the development and integration of innovation routines, skills, and assets.

that things or done in the firm, or what may be called its "routines," its patterns of current practice and learning, or its *management system* – is a source of strategic competitive advantage. These routines strategically and collectively enable management to create and innovate new products and processes and respond to changing market circumstances. They become distinctive if they are based on a collection of routines, skills, and complementary assets that are difficult to imitate[19].

We propose that innovation-based organisational values and a values-based management system may serve as a new source of dynamic capabilities for the firm that is competing in the complex innovatory environment created from the growth of need pull innovation, user- and customer-innovation, and the unbounded innovation search space. Research shows that firms that are successful in innovation depend upon two key ingredients: 1) technical resources (such as people, equipment, knowledge, money, and the firm's embedded organisational and human values); and 2) the values-based capabilities in the organisation to manage the resources[6]. Values serve as the foundation for developing organisational culture, passion, and shared commitment and the cornerstone for the development and integration of innovation routines, skills, and assets. Studies confirm that the way that people are managed and developed delivers a higher return on investment than new technology, R&D, competitive strategy or quality initiatives, and gives recruitment and retention advantages to those organisations demonstrating flexibility and innovation in their people policies[20]. Values-based innovation processes that open a firm's innovation search space may also engender societal level transformation.

The Evolutionary and Innovative Journey of Management Systems

Management systems have evolved, or "creatively destructed," during the 20th and 21st centuries in correlation with and response to two interrelated forces: increasing levels of organisational and social

complexity and increasing needs for organisational, social, and human development. Dolan and Garcia[21] have proposed four evolutions of management that each increasingly address sustainability and innovation concerns: MBI, MBO, MBV, and MBSIV.

Initiated in early 20th century, "Management by Instruction" (MBI) recognised that the driving value of firms was efficiency achieved through the implementation of mass production and automation systems.[ii] With MBI, few people made the key decisions, with employees and customers following their instructions.

With increasing levels of environmental complexity in the middle of the 20th century, MBI was no longer effective. Emphasising both efficiency and effectiveness paradigms, "Management by Objectives" (MBO) emerged. Multiple stakeholders and the attention to legal frameworks and market conditions (yet little to sustainable concerns) ensured that results were accomplished.

"Management by Values" (MBV) emerged at the beginning of the 21st century, a time in which all stakeholders' activities and needs changed, environmental crises abounded (e.g. climate, water, air, population explosion and terrorism), and the volatility created more awareness across all stakeholders – further exacerbated by higher levels of education of the workforce, the phenomenon of information explosion, instant communication via mobile communication devices, and the fear of nuclear disasters. MBV was used by people who viewed the world more holistically and were more sensitive to the interrelationships of ecology, the social fabric of society, economics, technology, and the search for self-actualisation and self-responsibility[22].

Given the increasing levels of transformative forces threatening the survival and sustainability of the world order, this paper proposes that MBV may benefit from reinvention to MBSIV ("Managing by Sustainable Innovation Values"), a next-generation management system that may fuel innovation energy, generate sustainable innovation,

ii. See Dolan and Garcia (2002); Earley, P. C. & Gibson, C. B. 2002. *Multinational Teams: New Perspectives,* Mahwah, NJ, Lawrence Earlbaum Associates. and Dolan *et al.* (2006).

Exhibit 1: Comparing the principal characteristics of MBI, MBO, MBV, and MBSIV

Characteristic	MBI	MBO	MBV	MBSIV
Preferable situation for application	Routine work or emergencies	Moderately complex Relatively standardised production	Need for creativity to solve complex problems	Innovatory organisation: strategy, culture, management, process
Type of leadership	Traditional, hierarchical	Focused on resources allocation	Transformational	Inner driven, outer connected
Image of customer	User buyer	User customer	Discriminating customer with freedom of choice	Global and virtual customers
Product market type	Monopolistic, standardised	Segmented	Highly diversified, dynamic	Open innovation, co-creation
Social organisation relationships	Top-down control, supervision	Control and stimulation of professional performance	Self-supervision encouraged	Organisation to society to human all connected
Purpose of organisation	Maintain production	Optimise results	Continually improve process	Sustainable innovation results
Type of culture	Loyalty, conformity, discipline	Rationalisation, motivation, efficiency	Creativity, mutual trust, commitment	Innovatory, renovation

Source: Modified from: Dolan, S., Garcia, S., and Richley, B. (2006), Managing by Values, London. Palgrave Macmillan (p.15).

optimise performance, and deliver needed solutions to the massive array of human, organisational, and social problems we face today.

From MBV to MBSIV

Previous research has shown that values-based management systems provide a human-centred philosophy and set of practices that enabled leaders to build an organisational culture in alignment with its core organisational goals and strategic objectives. These systems enabled firms to build company-wide commitment to shared values and shared strategies.

The MBV system was born out of understanding how stress impacts people at work. Research shows that psychological "weapons" such as the threat of losing one's job, the demand for employees to perform as "super people" for prolonged periods of time, and corporate anorexia (cutting the workforce to the bone) has produced the kind and level of toxicity that causes suffering, illness, burnout, and sometimes even death[22,iii]. Healthy organisations, by contrast were able to develop and maximise *individual* and *organisational* well-being[23].

Three intersecting 21st century trends are only increasing the level of stress impacting people, organisations, and even societies: 1) the increasing speed of communication and information flows; 2) an increasingly complex context of uncertainties, dualities, and paradoxes; and 3) transformative global forces that threaten the world order: the growing global population; an increasing level of migration and mega cities; a constant search for new ways of creating a decent life; the energy crises; infrastructure collapses; the growing global divide; unequal access to education; and the "metaverse" and singularity of virtual reality[24]. Well-being is now needed at individual, organisational, *and* societal levels, its value exponential in measure as leaders face complex global risks that threaten the survival of future generations around the globe.

MBSIV represents a new approach and practice in strategic management that enables leaders to foster human, organisational, and societal wellbeing, health, and wealth through delivering socially-responsible innovation[9,20]. Managers may use MBSIV to motivate innovation energy: create high-involvement innovation environments, cultures, and climates; build cross-functional, high-performance teams; embed innovation as a core business process; and champion a set of shared values and the will to innovate. (See Exhibit 1).

The MBV Tri-axial Model versus MBSIV Intersectional Model

The MBSIV *intersectional* model of values developed out of the MBV *tri-axial* model of values, which been used as a tool for developing organisational culture[22,23] (See Exhibit 2 next page).

Research shows that psychological "weapons" such as the threat of losing one's job, the demand for employees to perform as "super people" for prolonged periods of time, and corporate anorexia (cutting the workforce to the bone) has produced the kind and level of toxicity that causes suffering, illness, burnout, and sometimes even death.

iii. Dolan S.L.(2006) Stress, Self-Esteem, Health and Work. Palgrave MacMillan.

Well-being is now needed at individual, organisational, and societal levels, its value exponential in measure as leaders face complex global risks that threaten the survival of future generations around the globe.

MBV assumes that the central values along with their associated goals and strategic objectives are the foundation for defining a firm's culture. These values are used by managers and employees to set strategies, make decisions, and guide behaviours, that enable people to do what they do best in their jobs. These three sets of values may be defined and then circumscribed within the triangle that is formed by the following three complementary yet orthogonal axes.

- *Economic-pragmatic values* are a set of values related to the criteria of efficiency, industrious, performance standards, and discipline. These values guide the planning, quality assurance, and accounting activities in organisations: they are necessary in order to maintain and unify various organisational subsystems.

- *Ethical-social values* represent the way people behave in groups guided by ethical values shared by members of a group. These values come from conventions or beliefs about how people should behave in public, at work and in their relationships; they are associated with values such as honesty, consistency, respect and loyalty, among others. These values are manifested by actions more than words.

- *Emotional - developmental values* are essential in creating new opportunities for action. These values are related to intrinsic motivation, which moves people to believe in a cause. Optimism, passion, energy, freedom, and happiness are some examples of these values; without them, people would be unable to make firm commitments or be creative. Therefore, when designing an organisational culture, it is essential that people are able to do what they do best in their jobs.

Firms using MBV as the basis for organisational culture typically develop a *symmetric* 33-33-33% alignment across the three sets of values. Some will have asymmetry where either the ethical or economic axis dominates, but we argue that this configuration will not necessarily lead to sustainable innovation.

The MBSIV model, on the other hand, is an *asymmetrical* culture-reengineering model, where explicitly the emotional-developmental axis dominates the culture. The corresponding values serves as a management system for managers of innovative firms to integrate user- and customer-innovators into the innovation business process to achieve sustainable innovation[20]. MBSIV is typically configured in the proportion of 40% (or higher) emotional-developmental, 30% economic-pragmatic values, and 30% ethical-social values. By averaging these proportional numbers associated with each set of vertices along an axis, an organisation or individual would be able to achieve a 40% focus on innovation, a 30% focus on survival, and a 30% focus on sensitivity. Remember that the emotional-development share of

Exhibit 2: The MBV and MBSIV Models

values needs to be greater than the other values in order for the culture to engender the level of innovation energy, or passion, needed for innovation: early research as well as consulting experience shows that true innovation is initiated only when the "innovator" assumes the responsibility to champion a new idea, and that this occurs when passion, or energy, is embedded around and within the innovation process, strategy, and culture – and when roadblocks (i.e. innovation entropy) are reduced.

Managers use MBSIV within the perpetual process of aligning and realigning the three sets of values at their points of intersection, depending on their firm's strategic goals. Leaders and managers pursuing *innovation* strategies will develop cultures based upon values associated with the intersection of the emotional-development and economic-pragmatic axes. Those concerned with the *survival* of the firm will strategically develop cultures based on values defined at the intersection of the economic-pragmatic and ethical-social axes. (After all, when a big ethical or social scandal arises, the survival of the firm is at stake). Those seeking to strategically develop more *humane*, *"sensitive"*, and/or *socially-responsible* firms will develop cultures based on values found at the intersection of the ethical-development and emotional-developmental axes.

The MBSIV model may also be strategically configured to serve as a management coaching when developing employees to achieve innovational goals. The manager/coach would use the MBSIV process to help the employee identify, develop, and use a greater proportion of values skewed towards emotions (the emotional-developmental values) over ethical-social and economic-pragmatic values to achieve innovational goals. The proposed proportion of values in this configuration might be 50% emotional-developmental, 30% economic-pragmatic, and 20% ethical-social. By averaging these proportional numbers associated with each set of vertices along an axis, an individual or organisational would be able to achieve a 40% focus on innovation, a 25% focus on survival, and a 35% focus on sensitivity.

Customer-innovators tend to be more driven by emotional values than the other categories of values. Firms may use MBSIV to determine how to align the value profiles of different innovation stakeholders and ascertain how to involve their input into the innovation business process and embed their contributions into the organisations' leadership, strategy, goals, and culture.

The Case of Google: A High-Involvement Innovation Environment

Google – voted the top position in Fortune's Best Places to Work for the 6th year in a row – resembles a firm that has developed a high-involvement innovation environment.

Albeit recent criticism by some Google employees claiming that the organisation has shifted focus from ethics to profits, the level of innovation remains intact. Google's culture is grounded in sustainable innovation values. Employees are inspired by its mission: "To organise the world's information and make it universally accessible and useful" and set of "10 things", or value statements, that were put in place by management at the launch of the business. These "10 things range from statements such as "Focus on the user and all else will follow" to "Great just isn't good enough."[iv]

Google motivates innovation energy and creativity through use of value statements (such as "You can be serious without a suit"), the belief that work should be challenging and challenge should be fun, and an emphasis on team achievements and pride in individual accomplishments contribute to Google's overall success. They also put great stock in their employees, describing them as "energetic, passionate people from diverse backgrounds

THE BELIEF THAT WORK SHOULD BE CHALLENGING AND CHALLENGE SHOULD BE FUN, AND AN EMPHASIS ON TEAM ACHIEVEMENTS AND PRIDE IN INDIVIDUAL ACCOMPLISHMENTS CONTRIBUTE TO GOOGLE'S OVERALL SUCCESS.

iv. See http://www.google.com/about/company/philosophy/
v. See What every company can learn from Google´s company culture
https://www.successagency.com/growth/2017/01/19/google-company-culture/

with creative approaches to work, play, and life". They also create a casual atmosphere, which helps inspiring ideas and innovation to emerge from the numerous connections people have, whether in meetings, at the gym, or at the water cooler.[v]

They have expanded their innovation search space to include user-innovators, freeing people to innovate while avoiding entropy. For example, they use tools such as Google Cafés and Google Moderator internally to encourage interactions across functions and teams. Recognising that innovation needs a lot of "white space" around it[20], engineers are invited to spend 20% of their workweek on projects that interest them. User-innovation is also inspired through TGIF weekly meetings; the Google Universal Ticketing Systems (GUTS), which is a way for employees to file issues about anything and that are then reviewed for patterns or problems; 'FixIts', which are 24-hour sprints where Google employees drop every-thing and focus 100 percent of their energy on solving a specific problem; internal innovation reviews, which are formal meetings where exec-utives present innovative product ideas through their divisions to the top executives; organisational surveys; and open, direct email access to any of the company leaders[25].

Furthermore, Google's success has transcended the firm to create societal impact. Not only has the company invested in social entrepreneurs who are working on tech-based solutions for social prob-lems (i.e. access to clean water, wildlife poaching, human trafficking, and poverty)[26], their innova-tions have been said to transform the market, the world, and lives. Google's technologies have changed peoples language and brains, taken over a majority of the world's cell phones and email, changed how people collaborate, enabled people to "travel from their desks," influenced the news, turned users into commodities, and changed how the rest of the world sees every individual[27]. Google, furthermore, donated over $353 million in grants worldwide, approximately $3 billion in free ads, apps and products, and Googlers have volunteered approximately 6,200 total days of employee time to support non-profits (a total of 150,000 hours) between 2010 and 2013[26].

The Dublin office reflects the holistic work philosophy of Google, encouraging a balanced work environment and enabling as much interaction and communication between people as possible.
Photo courtesy: of Camenzind Evolution and Google.

Conclusion

Organisations characterised with innovative organisational environments have been found to have the right levels of passion, commitment, and employee engagement that lead to sustainable innovation. However, current research proves the astounding lack of employee engagement that permeates most companies and organisations today. A 2013 Gallup poll found that only 13% of employees worldwide were engaged at work. Very sadly, only one in eight workers – out of roughly 180 million employees studied – were psychologically committed to their job. The reasons cited: frustration, burnout, disillusionment, and misalignment with personal values[28]. The numbers have changed a bit recently, but huge variation exists between companies and continents. The same Gallup survey shows that engagement in western Europe is one of the lowest (about 10%), while middle East, North Africa, and East Asia is 57% and North America is only at 31%. Obviously, these numbers represent an aggregated data. By contrast, the best companies in the world, reports 70% engagement. The conclusion based on the survey is that engaged employees are 31% more productive, 37% higher in sales, and 13 times more creative and innovative.[vi] All in all, data suggest that investing in creating an MBSIV culture is really very profitable.

vi. See the survey of Gallup for 2017 at: http://news.socialreacher.com/en/the-12-questions-from-the-gallup-q12-employee-engagement-survey/

In a world where change is constant and entropy is always a threat, managers and leaders may achieve sustainable innovation by: 1) breaking open their innovation search space by emphasising need pull innovations and harnessing the innovation energy of employees, user- and customer-innovators; 2) developing the strategic dynamic capabilities to lead and manage with sustainable innovation values; and 3) transitioning their management system to Managing by Sustainable Innovation Values (MBSIV). MBSIV is a values-based management system and leadership tool that allows management to develop a values-based, high involvement, performance-oriented innovation culture and deliver sustainable innovation. **ER**

About the Authors

Dr. Kristine Marin Kawamura is an experienced and success-oriented global consultant, executive coach, scholar/author, educator, and visionary speaker. She is the founder and CEO of Yoomi Consulting Group, Inc. She is also a Visiting Adjunct Professor in Drucker-Ito School of Management in Claremont Graduate University.

Dr. Simon L. Dolan is currently the president of the Global Future of Work Foundation (www.globalfutureofwork.com). He used to be the Future of Work Chair at ESADE Business School in Barcelona, and before that he taught for many years at McGill and Montreal Universities (Canada), Boston and University of Colorado (U.S.). He is a prolific author with over 70 books on themes connected with managing people, culture reengineering, values and coaching. His full c.v. can be seen at: www.simondolan.com

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Organisations characterised with innovative organisational environments have been found to have the right levels of passion, commitment, and employee engagement that lead to sustainable innovation.

SOMETIMES BEING YOURSELF IS THE BEST GLOBALISATION STRATEGY:
Lessons from a K-Pop Group, BTS

BY WON-YONG OH AND MOOWEON RHEE

Multinational corporations face the paradox of globalisation and localisation in expanding foreign markets. As the BTS's success shows, the most effective globalisation strategy can be 'being yourself' if customers are willing to appreciate a company's identity.

At the 2017 American Music Awards, Bulletproof Boy Scouts (BTS), an all-boy Korean pop (K-Pop) group, made its successful American TV debut.[1] Its albums ranked no. 1 on the iTunes charts in 73 countries.[2] Two of its albums reached no. 1 on the Billboard 200,[3] the first foreign-language albums to do so in more than 12 years.[4] In August 2018, tickets for its first U.S. stadium concert at New York's Citi Field, which holds almost 42,000 people, sold out in less than 20 minutes.[5] It was therefore not surprising that BBC called BTS "the Beatles for the 21st Century."[6]

As a result of its success, it is estimated that this boy band contributes more than $3.6 billion per year to South Korea's economy.[7] That's Netflix's quarterly revenue. One of the most interesting aspects of BTS's history-making success is that the group's songs were mostly performed in Korean. How could BTS, a group produced by a relatively low-budget company, succeed in the U.S. market singing in a language with which most Americans are not familiar?

The U.S. entertainment market is notoriously challenging for non-English-speaking foreign artists. Non-English-language movies have grossed only about 1.1% of total U.S. box office sales in recent years.[8] Celine Dion pursued her singing career in Quebec, Canada for nearly a decade, but did not really become a star until she crossed the linguistic border by learning English. 'Adapt or perish' seems to be the rule of thumb in the U.S. entertainment market.

Until recently, the K-Pop industry adapted its product offerings to better serve its target audiences.[9] K-Pop entertainment companies provide intensive foreign language training to their artists, and many groups have a member whose first language is not Korean (e.g., Korean Americans). Recording songs in multiple foreign languages to appeal to global customers is a common practice in the K-Pop industry. S.M. Entertainment's boy group, EXO, even had two versions of itself to strategically serve the Chinese market: EXO-K ('K' for Korean) and EXO-M ('M' for Mandarin), which performed the same songs with the same choreography, but in different languages.

Once the band's identity is well established, language is not an issue. Unlike many other K-Pop groups that strategically include non-Korean members, none of the BTS members is a native English speaker.

Be aware the risks of over-localisation. K-Pop companies' adaptive approach cannot explain the success of BTS, which performs mostly in Korean. There may be some clues, however, from the case of another K-Pop star, Psy. Psy's song "Gangnam style" in 2012 was a huge viral sensation. However, his subsequent release, "Hangover," mostly performed in English with American rapper Snoop Dogg, was a disappointment for fans.[10] Audiences might have felt that "Hangover" sounded like just another American pop song performed by an Asian artist. This over-localised approach of using the local language (English) and featuring a familiar character (Snoop Dogg) ended up with the loss of its most important brand identity – 'K-Pop.'

Develop your own identity. BTS clearly establishes and communicates its identity. This contrasts with other K-Pop groups whose images are manufactured by their agencies.[11] In order to develop its own identity, BTS has done the following:

- BTS members are involved in writing the songs and lyrics. All members are individual artists who express themselves, rather than being idols merely fabricated by agencies.
- Its members directly communicate with fans through social media to show who they are, such as broadcasting the time waiting at backstage before concerts and sharing information about their own challenges and mistakes.
- In their songs, BTS often talks about self-confidence and resisting social pressure (i.e., being yourself), which are themes that cause the target audiences, mostly the young generation, to feel empathy for the group.

Once the band's identity is well established, language is not an issue. Unlike many other K-Pop groups that strategically include non-Korean members, none of the BTS members is a native English speaker. RM (known as Rap Monster), the leader and main rapper, does English-language-interviews, but said he said he learned English by watching the sitcom *Friends* on the Ellen DeGeneres Show.[12]

Communicate and maintain the identity. BTS emphasises the importance of being yourself, as shown in its *Love Yourself* thematic album series.[13] It is the key message that the group's fans, referred to as A.R.M.Y (Adorable Representative M.C for Youth), are enthusiastic about.[14]

Because of the influence this message had on the youth, BTS became the first K-Pop group invited to speak at the United Nations General Assembly. The key message was *"No matter who you are, where you're from, your skin color, gender identity: Speak yourself."*[15]

The idea of 'being yourself' works well for BTS itself. Between 2013 and 2016, U.S. college enrolments in Korean-language classes increased by 65%, even while total enrolments in foreign language courses was declining.[16] More audiences are willing to learn a foreign language, so they can sing along as BTS performs[17], rather than wait for the group to release its first English-language album.

Consumers in foreign markets are different. Their purchase of behaviours, preferences, tastes, media, and retail are all different. Therefore, a customised and tailored approach seems appropriate.[18] But not always. Localisation is about adding local flavour to the global brand identity. In the smartphone market, for example, Apple users are far more loyal than Samsung users, not because of products or technology, but because of Apple's strong identity.[19] Likewise, BTS fans are enthusiastic about the band because of its unique identity, something other American pop artists have not provided. The lesson is that the most effective globalisation strategy can be 'being yourself' if customers are willing to appreciate a company's identity. **EBR**

BTS performing with American artist Halsey in the Billboard Music Awards 2019. *Photo by Billboard.*

About the Authors

Won-Yong Oh is Lee Professor of Strategy at the Lee Business School, University of Nevada, Las Vegas in the USA. His research areas include board of directors, top management team, and corporate social responsibility. Twelve of his published articles are in the *Financial Times*, 50 journals for research rank and he is also an active case writer. He also worked as Korean pop music composer before pursuing his career in business.

Mooweon Rhee is Underwood Distinguished Professor, Hyundai Motors/YSB Research Chair Professor, and Professor of Management at the School of Business, Yonsei University in South Korea. He received his Ph.D. in business administration from Stanford University. His scholarly works appear in many premier journals including the *Academy of Management Journal*, *Academy of Management Review*, *Management Science*, and *Organization Science*.

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COPYCATS:
Where fashion and pharmaceuticals meet

BY GREGORY DEYONG, HUBERT PUN
AND CAROL LUCY

Image on the left: Fast Fashion firm ZARA
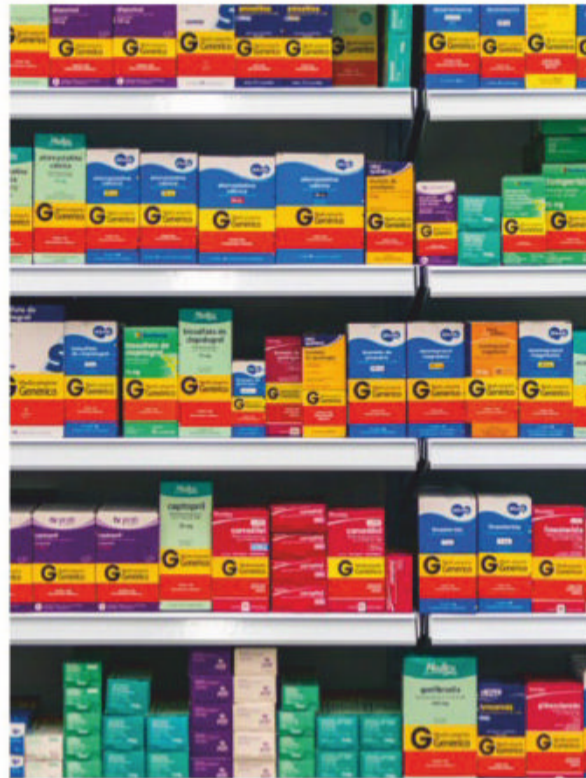Image on the right: Generic medicines
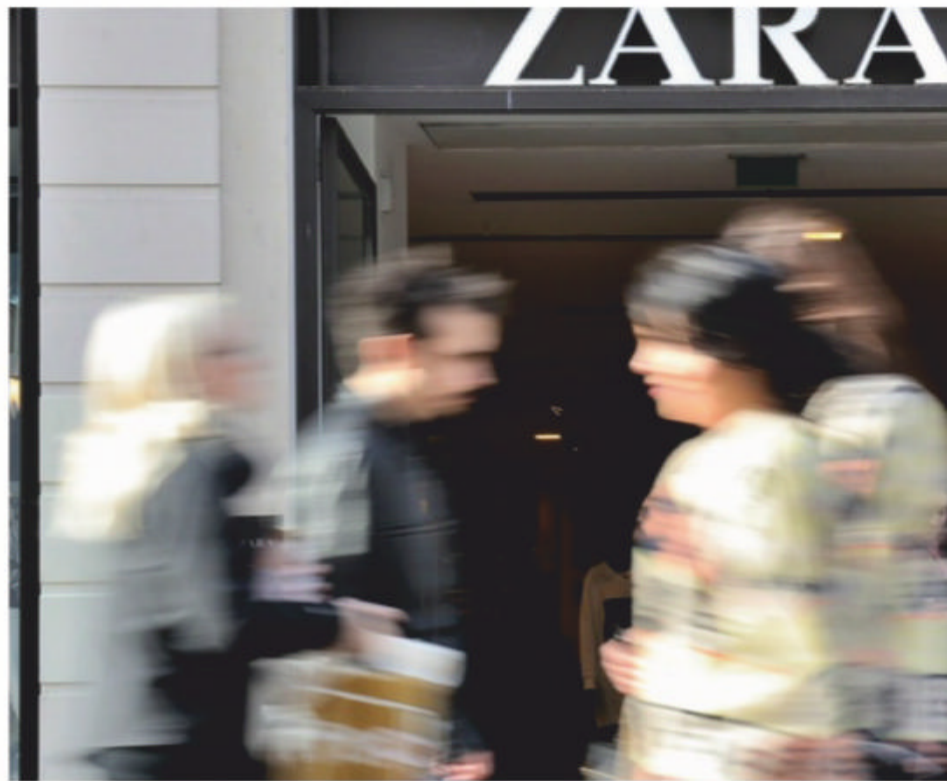
Copycats are every industry's nightmare. Consumers are becoming more budget-conscious and many start to favour generic products than brand names. Major companies should implement rational measures to guarantee profit against product-stealing and low-cost copycats. Consumer behaviour should also be taken into consideration to retain their old customers and acquire new ones.

One is an utter luxury; the other is a necessity of life. Although the fashion and pharmaceutical industries are worlds apart in terms of products, both face a very similar challenge – copycats who sense an opportunity to produce lower-cost versions of the original product. In the case of pharmaceuticals, the production of generic versions of popular medications is a common event once the patent protection of the developer expires. In 2016, generic pharmaceuticals accounted for over $100 billion of the total spending on medicines in the United States.[1] For fashion designers, the burgeoning fast-fashion industry excels at taking hot new designs and quickly making them available to the masses. In either case, a firm that spent its time and resources to develop a unique product sees its hard-won advantage eliminated by a copycat. At the same time, consumers are faced with a choice – purchase the expensive original or take a chance on the low-cost version.

Whether we view copycats as predatory imitators who steal designs for their own profit or as a type of Robin Hood, bringing hyper-expensive products into reach for the masses, the question of how a designer of new, innovative products should react to the threat of copycats is still valid. Despite extensive lamentation by fashion designers, enforcing copyright claims against fast-fashion retailers remains both difficult and rare.[2] Similarly, pharmaceutical manufacturers face not only patent expiration, but also significant risk of public backlash if they are perceived as limiting supplies to consumers.

A prime example is the recent outcry against Mylan over its pricing of the emergency allergy treatment, EpiPen. Facing imminent FDA approval of a generic version of the EpiPen (from generic drug titan Teva Pharmaceutical Industries, Ltd.), Mylan shocked consumers and regulators by dramatically raising prices of its EpiPen product (by over 400%). This led to accusations of price gouging, particularly when FDA's approval of Teva's product was delayed, leaving Mylan with a virtual monopoly. Many observers offered explanations for the price increase, ranging from price gouging to condemnation of the pharmaceutical patent process itself. However, it is also possible that Mylan's move was a rational reaction to an impending generic version of the EpiPen. In another situation involving Teva, Valeant Pharmaceuticals International dramatically raised the price of its Syprine medication (from

latter's application to produce a generic version of the AbbVie drug, Zemplar. In 2016, the British pharmaceutical firm Indivior faced allegations that it had attempted to reestablish a monopoly on suboxone (used to treat heroin addicts) by developing a new delivery mechanism for the medication. Indivior then claimed this should entitle it to renewed patent protection from generics, which it had lost in 2009 as its exclusive rights to the tablet form of suboxone expired. One issue the copycat firms faced in this case was that the customers had switched to the new form of suboxone (a dissolvable strip) and were reluctant to return to the tablet form.

Similar accusations are often bandied about in the fashion world. Major fashion designers are excoriated for their high prices, leading many to portray fast-fashion copycats as performing a valuable service by bringing fashion designs to budget-conscious consumers. These copycats have developed the fast-fashion market as firms such as Forever21 and Zara have become specialists at avoiding litigation while delivering products that closely resemble high-end fashion goods offered by firms such as Burberry. Of course, fashion designers complain about seeing their creativity stolen by unscrupulous retailers who are only out to make a fast profit. Could it be that the apparent tension in the fashion industry is again just a rational reaction by firms?

$652 to $21,267) in 2015 as its patent protection neared an end. According to the *New York Times*, "When Teva Pharmaceuticals announced recently that it would begin selling a copycat version of Syprine – an expensive drug invented in the 1960s – the news seemed like a welcome development for people taking old drugs that have skyrocketed in price."[5]

However, their hopes were dashed when Teva priced the product at $18,375 per 100 pills, significant savings, but a huge increase over the price charged for the brand name drug just five years earlier.

With the advent of widespread generic pharmaceuticals, many other examples of major pharmaceutical companies attempting to protect their valuable brands and patents can be identified. In 2007, AstraZeneca sued a group of seven generic drug makers over alleged infringements on the AstraZeneca patent on the cholesterol drug, Crestor ®.[6] AstraZeneca has been fighting an ongoing legal battle against generic versions of the drug, recently losing an effort to extend its market exclusivity by arguing that Crestor® was entitled to consideration as an "orphan drug" as it can be used to treat a rare high cholesterol condition in children.[7] Similarly, in 2013, a U.S. biotech firm, AbbVie, sued an Indian firm, Dr. Reddy's Laboratories (DRL) over the

Brand Name versus Generic Pharmaceuticals

- In 2000, an association of generic pharmaceutical manufacturers (Generic Pharmaceutical Association – GphA) was formed to advocate for the manufacturers of generic pharmaceuticals
- Over 90% of United States prescriptions are for generic versions of medications[3]
- Dozens of pharmaceuticals currently protected by patents will lose that status in the next few years[4]
- Patent protection may be extended for pharmaceuticals with changes in indication, strength, dosage form or if the medication is found to be useful for pediatric applications[4]

Fast-Fashion Firms

- "Zara has become a go-to destination for stylists and other fashion insiders looking to buy close approximations of runway pieces…"[8]
- "The real deal won't be sold in stores for half a year, but Forever21 can have a much more wallet-friendly copycat version on the shelves in three weeks"[9]

The Problem

The main essence of a copycat is taking advantage of the investment of another firm. Rather than building its own market, the copycat attempts to capture a portion of an existing market developed by the original firm. Before the copycat's product is available, the original manufacturer may face no actual competition, but savvy consumers can foresee the possibility of a copycat in the future. Some consumers may be willing to wait until a later time when both versions of the product are available in anticipation of a lower price for the original product (to better compete with the copycat) or the entry of an acceptable copycat with a budget-friendly price.

The copycat's decision process is relatively simple – enter the market if it is possible to do so profitably. At times, the copycat may need to consider that the manufacturer will take defensive steps such as limiting marketing expenditures (to avoid building a market only to have it stolen by the copycat) or lowering prices to make the copycat's niche unprofitable, but in many cases the manufacturer is unwilling to take such drastic steps.

For the manufacturer, the decision process must answer three questions:

1. How good should the product be?
2. How much to invest in advertising and other activities to increase the number of consumers who will want the product?
3. What price to charge for the product (before and after the copycat enters the market)?

As in most situations, these decisions must be made in an uncertain world and each decision has an impact on all the others. For example, investing to build a large market may allow (or even require) the manufacturer to charge a higher price. On the other hand, charging a higher price in a large market makes that market attractive to the copycats, who can more easily charge a lower price to capture the budget-conscious consumers.

This situation has been modelled,[10] and in many cases, what seems like an irrational or opportunistic decision by the manufacturer may actually be the best course of action. Although manufacturers bemoan the low quality of copycats, it is generally undesirable for a manufacturer to compete head-to-head with a copycat who offers a product of similar quality at a comparable price. In the case of fashion clothing, this can lead the designer to improve the quality and, in some cases, raise the price of goods when a copycat is imminent. Similarly, it is plausible that the best response for Mylan (or any pharmaceutical manufacturer) to the impending approval of a generic version of a profitable product is to raise prices and essentially abandon the low-end of the market while establishing a quality differentiation with the low-cost competitor. In fact, a recent study of prescription drug prices[11] found that a group of twenty-five leading pharmaceuticals had shown a dramatic increase in price for the brand name product (7-9% per year) but that overall prices for these drugs had dropped significantly because of the introduction of low-cost generic versions, which quickly captured most of the market. The same study found that average daily cost of treatment fell by an average of 27.5% after a generic version had been available for twelve months.

The Manufacturer's Decisions

- How much time, effort and money to spend on product development
- How much to spend on advertising and other market-building activities
- Product pricing – before and after the potential entry of a copycat

Competitive Scenario

The copycat threat is not unique to fashion goods, pharmaceuticals, or any other industry. We can apply the same analysis to any situation where copycatting takes place. In a more general setting, imagine a manufacturer of a unique product facing the future threat of a copycat. The manufacturer (and consumers) can foresee the possibility of a

Major fashion designers are excoriated for their high prices, leading many to portray fast-fashion copycats as performing a valuable service by bringing fashion designs to budget-conscious consumers.

WHAT IS
AVAXHOME?

lower-cost competitor entering the market at some time in the future. The manufacturer, therefore, must determine product characteristics (in particular, quality) as well as advertising and pricing of the product before, and potentially after the market entrance of the copycat. The copycat, in turn, must decide how to price and position the low-cost version of the product. Our research has shown that, for the manufacturer, three possible outcomes are possible. In the best case, the threat of retaliation by the manufacturer (lowering prices, decreasing advertising) is sufficient to deter the copycat from entering the market. In this case, the manufacturer need not make any actual changes to product, pricing, or advertising. We will refer to this as case I – credible threat. Unfortunately, at times, the manufacturer is not able to deter the copycat with threats alone. Instead, in this situation (case II – actual threat), the manufacturer must actually absorb the negative consequences of strategy adjustments (lower prices, reduced advertising, and/or reductions in quality) to reap the benefits of keeping the copycat out of the market. In the final possibility (case III – ineffective threat), even adjustments to strategy are insufficient to deter the copycat. Instead, the manufacturer must adapt to sharing the market with a new competitor, particularly if legal recourse is unavailable. Specific circumstances where these three cases arise include the following:

- When the similarity between the original and copycat product is high, the copycat will face intense price competition from the manufacturer (a price war as each undercuts the other repeatedly). Since this will ultimately lead to an unprofitable situation for the copycat, the manufacturer does not have to make any adjustment to advertising or prices. The threat of a price war is sufficient to deter the copycat in this case I situation

- When the manufacturer's product is more desirable than the copycat, but not dramatically so, it is often profitable for the manufacturer to adjust advertising (lower) and pricing (lower) to deter the copycat from entering the market. The copycat can be discouraged from even entering the market, as discussed in a case II outcome.

Copycat Cases
- **Case I** – the mere threat of retaliation (in the form of lower prices and reduced advertising) by the manufacturer deters the copycat from entering the market.
- **Case II** – an actual adjustment in prices and/or advertising by the manufacturer deters the copycat from entering the market.
- **Case III** – the manufacturer cannot profitably make a sufficient adjustment to prices and/or advertising to deter the counterfeiter. The manufacturer abandons the low-quality portion of the market to the copycat.

- When the differences between the two products are highly significant (for instance, a high-end fashion label compared to a discount retailer), the copycat is unlikely to face price competition, as it is not profitable for the manufacturer to lower prices to a level that will deter the copycat from entering the market. Therefore, the copycat can claim the low-end niche as its own with little interference (economically) from the manufacturer. The manufacturer is forced to rely on legal means (such as copyright enforcement) to combat the copycat. This is a case III outcome.

Interestingly, in the case II situation, a higher degree of similarity can lead to higher profits for the manufacturer because smaller reductions in price will be needed to deter the copycat. This allows the manufacturer to charge a higher price while still keeping the market to itself. However, a manufacturer who develops a superior product may be a victim of its own success. The copycat can claim the low-cost end of the market from a manufacturer who is unwilling or unable to lower prices on its high-value product.

Staying in the Lead
- To preserve the advantage of reaching the market first, Nike employs security guards, cameras and a secondary, outer wall to prevent samples or blueprints of future products from being stolen[12]
- Luxury fashion brands such as Burberry and Gucci are investing in supply chain strategies to shorten time-to-market[13]
- Pharmaceutical firms can extend the patent protection for drugs by developing new delivery mechanisms or having the drug named as an "orphan drug" to gain special patent extensions

"Buy Now" or "Wait and See"

The willingness of consumers to wait for the copycat product has essentially the same effect as a shorter (or longer) delay before the copycat enters the market. When consumers are willing to wait for the eventual copycat, the manufacturer may be able to deter the copycat with real (or threatened) price decreases in the future (case I or case II). A manufacturer that cannot credibly make this threat will face the eventual entry of the copycat (case III).

Competitive Phases

Another key aspect of the manufacturer/copycat competitive environment is the length of time needed for the copycat to enter the market. Prior to the copycat's entry, the manufacturer can be seen as having a monopoly. The advantages of reaching the market well before copycats are demonstrated by the lengths that firms (e.g. Nike) will go to protect their designs[12] and the investments they will make to improve the responsiveness of their supply chains (e.g. Burberry).[13] In fact, a long monopoly period can serve as a deterrent to copycats as most consumers will have already purchased by the time the copycat enters the market.

In general, the manufacturer will invest in both quality improvement and advertising when consumers are impatient. This allows the manufacturer to sell to a large group of impatient consumers during the monopoly phase (before entry of the copycat) while simultaneously attracting consumers after entry of the copycat (with the improved quality of the genuine product).

If the copycat is able to react more quickly, the monopoly period is reduced to a shorter time. The manufacturer must make an adjustment to advertising and pricing to deter the copycat (case II). However, as the copycat's delay becomes even shorter, the manufacturer no longer benefits

from the combative effects of low prices and advertising. Instead, the manufacturer will raise first period prices (to increase revenues from the smaller pool of consumers who purchase very early) and lower second period prices to compete with the copycat (case III).

Consumer Behaviour

The manufacturer and copycat are not the only players in this game. We also must consider consumer patience and the level of strategic behaviour displayed by consumers. Each of these plays an important part in identifying the strategies of the manufacturer and copycat.

- Consumer patience – patient consumers are willing to wait for a more attractive deal (lower prices) in the future, while impatient consumers will purchase immediately. A high proportion of impatient consumers are generally detrimental to the copycat. Impatient consumers will generally purchase early (before the copycat product is available) and those who do not purchase early are often unwilling to pay a retail price that the copycat will find attractive. This leads to a case I scenario for the manufacturer.

  When more consumers are patient, the copycat is less likely to be deterred by consumer characteristics alone. Instead, the manufacturer must make an adjustment to advertising and pricing to deter the copycat (case II). However, the range of consumer patience that rewards the manufacturer for this behaviour has its limits. At some point, the copycat can no longer be deterred because too many consumers are willing to wait for the copycat product. At this point, the manufacturer no longer benefits from the defensive effects of low prices and advertising. Instead, the manufacturer will raise first-period prices (to increase revenues from the smaller pool of impatient consumers) and lower second-period prices to compete with the copycat (case III).

- Consumer strategy – when consumers have sufficient information about the future (such as announcements of forthcoming generic pharmaceuticals or memories of prior years when fast-fashion versions of designer clothing have been introduced), they can anticipate the eventual entry of the copycat into the market. This should be

beneficial to the copycat, but this is not universally true. In fact, the copycat benefits from consumers becoming more strategic only if consumers are also impatient or if nearly all consumers are highly strategic. This counterintuitive result is the result of spillover from the manufacturer to the copycat. When consumers are less strategic, the manufacturer has a greater incentive to build the market through advertising (but this leads to more potential consumers for the copycat as well). Additionally, the manufacturer will also increase prices, leaving more room for the copycat to compete. At the same time, when consumers are impatient, the manufacturer will not sacrifice early revenue (by lowering monopoly period prices) for the ability to deter the copycat later. In general, our model shows that the manufacturer can benefit from increasing consumers' impatience by instilling in them a "buy now" mentality by advertising, for example, to extol the immediate benefits of ownership.

Evaluation

With our findings in mind, we now examine several recent scenarios to evaluate both the situation and strategies employed.

Fashion

As a manufacturer of very high-quality/high-status clothing, Burberry is unlikely to be willing to make the downward adjustments in price and advertising necessary to allow it to deter copycats. In fact, Burberry is most definitely not going to sacrifice its profits and market size just to keep fast-fashion firms from emulating them. This is particularly true because fast-fashion firms such as Forever21 and Zara have low fixed costs and their advertising expenditures are low.[8] Accordingly, Burberry's best strategy begins with maintaining separation between themselves and the copycats, as there is no way to make a credible or actual threat that is sufficient to deter the copycats. This adaptation begins with quality (both actual and perceived) and naturally extends to pricing as well. Burberry's worst nightmare would be a price

In the best case, the threat of retaliation by the manufacturer (lowering prices, decreasing advertising) is sufficient to deter the copycat from entering the market.

war with Zara (enforcing the threat). Burberry's next steps depend upon the nature of their consumers. The primary consumers for high-end fashion goods are known to be quite impatient; as they derive a good portion of their utility early in the season by having the latest fashions at the time they are available (e.g. wearing the latest summer clothes when summer begins). However, these consumer characteristics lead to a favourable situation for low-cost copycats who can quickly enter a market. Specifically, Burberry will advertise to build the market, and is able to charge a high price in the first phase (before introduction of the copycat) because some consumers are willing to pay a premium to own the product early. However, the combination of a large potential market with a significant number of consumers who are unwilling/unable to pay the premium price sets the stage for a successful copycat (after the copycat has been able to produce its version of the product). Unfortunately for Burberry, the combination of impatient consumers and its own unwillingness to sacrifice profits solely to deter a copycat make it impossible to avoid the copycats. Even worse, as copycats become faster and faster at producing their products, strategic consumers are more likely to be willing to wait the relatively short time to purchase a competing product at a steep discount. Burberry's best strategy is to maintain a significant quality advantage over the copycats (which the copycats are not likely to challenge for fear of entering into a price war) and to try to lengthen the time between introduction of their own product and the inevitable emergence of copycats. Burberry's efforts at streamlining its supply chain and shortening the time between runway and retail shelf (to zero in their strategic plan) are well-designed.

Burberry's efforts at streamlining its supply chain and shortening the time between runway and retail shelf (to zero in their strategic plan) are well-designed.

Pharmaceuticals

In the pharmaceutical market, Mylan faced a somewhat different challenge. In the winter of 2016, it was very likely that a generic version of the EpiPen (produced by Teva) would be approved by the FDA. This placed Mylan squarely into our two-phase scenario. Prior to FDA approval, Mylan had a virtual monopoly, but consumers could anticipate the eventual transition to a market with both the Mylan and a generic version of the product. The situation for Mylan was similar, but not identical, to the problem faced by Burberry. Mylan had a high-quality product and consumers could certainly be considered to be impatient (few consumers are willing to wait long for such a life-saving device). However, given the broad acceptance of generic versions of brand name pharmaceuticals, it is hard to argue that Mylan would enjoy an overwhelming quality differentiation compared to its future competitor (the generic version of pharmaceuticals is still supported by FDA approval). Instead, it is likely that consumers would view the Mylan product as having high quality and the generic alternative as having acceptable quality. For the copycat, this is the best possible outcome. Mylan, with an impatient set of consumers and a high-quality product, is unwilling to reduce its revenues (through price and/or advertising reductions) to deter the copycat. This leaves the copycat free to enter the market and also leaves considerable room (in terms of price and quality) for the copycat

to carve out a niche. In this case (where the manufacturer cannot economically discourage a copycat), the manufacturer's first-period (monopoly phase) price will be high. After the copycat enters the market, the manufacturer will be forced to drop prices precipitously to compete for the remaining price-sensitive patient consumers or must limit itself to those few consumers with a high valuation for the brand name product that are willing to continue to pay high prices. Accordingly, Mylan was making the wise choice – raise prices while in the monopoly situation to maximise profits with an eventual decrease to compete with a low-price copycat when that situation arises.

As events developed, however, the generic version of the product was not approved by the FDA. This left Mylan prepared for a copycat (poised to lower prices and aggressively compete with the newcomer) but with no reason to actually implement this strategy. Instead, Mylan faced accusations of price gouging and abuse of its monopolistic market position. With no competitor, there was no force pushing Mylan to lower its prices. However, the threat was still real, and therefore Mylan's best strategy (from an economic perspective, but definitely not in terms of public relations!) was to treat this as an extended first-period phase and to maintain high prices in anticipation of an eventual case II situation.

The patent infringement case filed by AbbVie was ultimately dismissed and the U.S. Department of Health and

FIGURE 1 - COMPETITIVE CASE DEVELOPMENT
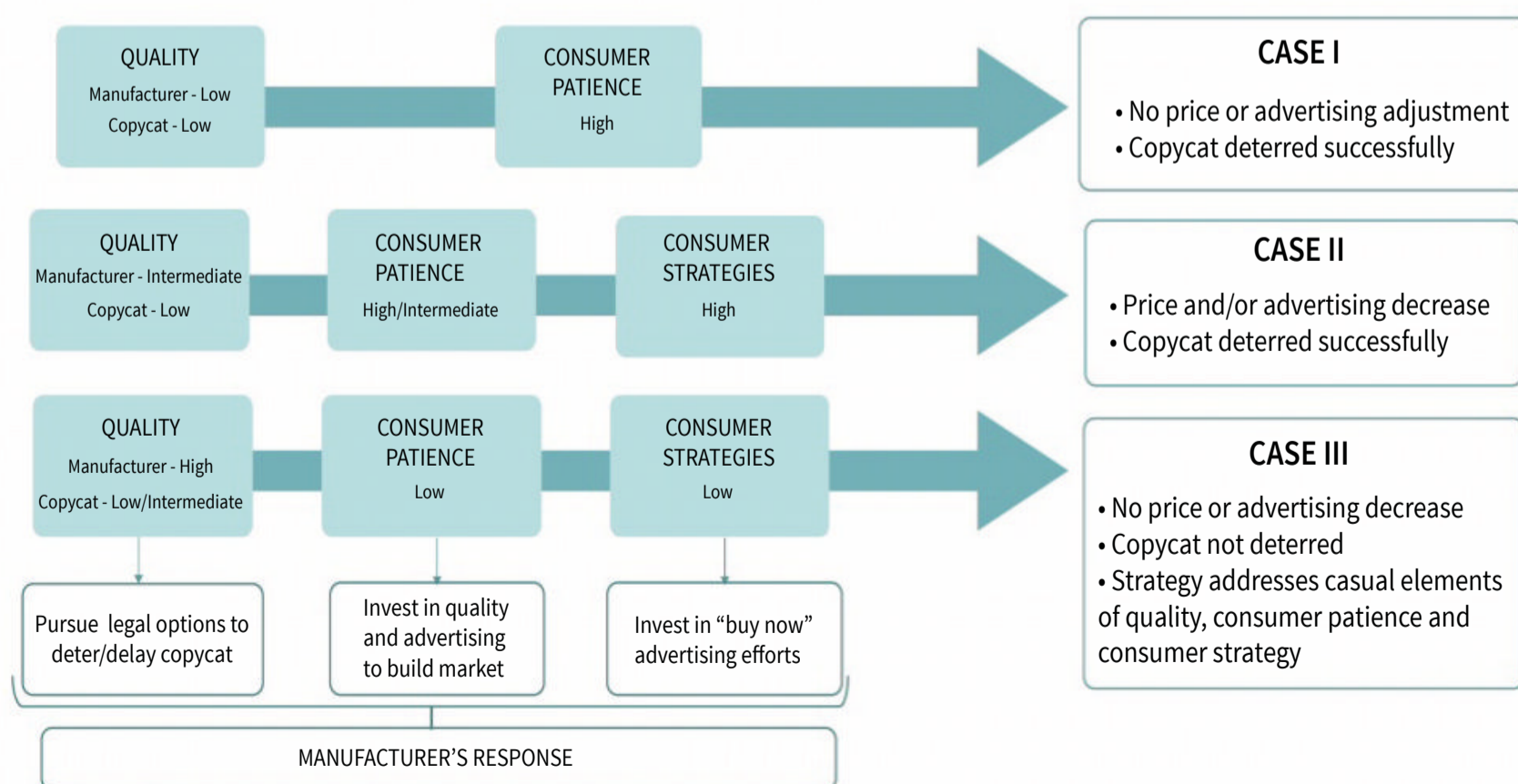
After the copycat enters the market, the manufacturer will be forced to drop prices precipitously to compete for the remaining price-sensitive patient consumers or must limit itself to those few consumers with a high valuation for the brand name product that are willing to continue to pay high prices.

Human Services approved the DRL abbreviated new drug application[14], allowing them to produce a generic version of AbbVie's Zemplar® product. DRL announced the introduction of its generic version of Zemplar® in September of 2016.[15] At approximately the same time (October, 2016), the U.S. FDA announced the approval of a capsule version of Zemplar® for treatment of pediatric patients[16], leaving AbbVie with a new outlet for its brand -name product.

Finding itself in a case III situation, AstraZeneca has pursued an extended (over 9-year) legal battle to maintain its exclusivity on Crestor®. Although it is impossible to foresee precisely how the availability of generic forms of Crestor® may be priced, the example of alpha-beta blockers (used to reduce high blood pressure) shows that in the first 12 months of generic availability, the daily cost of treatment fell by 75.5%.[11] If Crestor® follows this pattern, AstraZeneca may find itself unable to compete on a cost basis with the copycats and will instead be forced to rely on those few consumers who will pay a high price for brand name Crestor®.

Conclusion

While we have discussed these results in terms of two specific industries (pharmaceuticals and high fashion), our results can be applied to a wide variety of scenarios. Most importantly, we have seen that many accepted strategies (reducing time-to-market through supply chain redesign, increasing product quality, encouraging consumers to "buy now" etc.) could have beneficial results when a firm is facing the threat of copycats.

In our specific examples, Burberry is a victim of its own success. Its high quality and loyal consumers make it difficult (or impossible) to make the sacrifices in product margin and/

Burberry fashion show

or prestige that would be necessary to deter copycats from introducing their own version of its products. Accordingly, Burberry's only recourse is to try to increase the time it has to sell its products without competition (by speeding up its supply chain) and to pursue possible legal recourse when copycats are too faithful in their reproductions.

Mylan, on the other hand, may have had the bad fortune (in terms of public perception) of having its competitors thwarted by legal action. While Mylan took the prudent step of raising prices during the period where it did not face a competitor, the failure of this competitor to emerge left Mylan with a public relations disaster as it had no opportunity or impetus to take the subsequent step of decreasing prices to engage in price competition with its now non-existent competitor. Therefore, Mylan was left in the uncomfortable position of defending what was likely designed to be a temporary price increase,

Epipen Medicine

which became more or less permanent. A further illustration of Mylan's need for a lower-price competitor is the recent revelation that Mylan itself has introduced a low-cost version of the EpiPen to compete with its own product and Teva's generic version of the Epipen was finally approved by the FDA in August, 2018.[17]

Our study, and these examples, shows the complexity of the problem faced by firms, which must compete with low-cost, low-overhead competitors. In *Figure 1*, we capture the mechanisms of how quality, consumer patience, and consumer strategy lead to each of the three cases (and their related deterrence strategy). *Figure 1* also includes examples of the manufacturer's recourse for case III scenarios. ░▒▓

Mylan itself has introduced a low-cost version of the EpiPen to compete with its own product and Teva's generic version of the Epipen was finally approved by the FDA in August, 2018.

About the Authors

Gregory DeYong is an Assistant Professor at Southern Illinois University. His research focuses on production scheduling, purchasing, and counterfeit products.

Hubert Pun is an Associate Professor at the Ivey Business School (Western University). His research interests include co-competition, counterfeiting product, and how blockchain can be an enterprise solution.

Carol Lucy is an Assistant Professor at Emporia State University. Her research interests include entrepreneurship, organisational behaviour, and small business management.

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Strategic Responses To NEO-POPULISM

BY DAN PRUD'HOMME, MAX VON ZEDTWITZ, AND FERNANDA ARREOLA

The rise of Neo-populism presents risks to multi-national corporations in the Western markets. The authors outline practical strategies corporations can take to combat such risks.

Populism is no longer a business risk confined to emerging markets. In fact, measured by the share of votes for anti-establishment parties, populism in developed economies is at its highest levels since the 1930s.[1] Given the multiplicity of factors driving this "neo-populism" and the type of institutions shaping its evolution, multinational corporations (MNCs) need to respond to it differently than they have to classical populism. Neo-populism is directly or indirectly costing MNCs profit margins, customer loyalty, strategic footholds, and talented employees. It is manifested in Brexit, Italy's recent elections, the Trump administration's trade war, and populist party control of parliamentary seats in many European countries.[2] It is leading to stringent security reviews of foreign acquisitions in the US and Europe and to fears of tightening immigrant policies. However, little practical advice is available regarding how to navigate these hazards.[3] In this article, we discuss several ways that MNCs can weather neo-populism: (1) resetting risk scenar-

io-planning differently than in classic populist regimes, (2) ramping-up creative stakeholder-engagement, (3) timing high-profile M&A better, and (4) localising smarter.

Populism, in the broadest sense, is a movement supporting ordinary people rather than those perceived as "elites" to hold powerful positions within governments.[4] There are variants of how populism is more specifically conceptualised in some countries, for example France, compared to others.[5] However, for our purposes, we define "neo-populism" as a set anti-establishment, authoritarianism, nativism, and anti-cosmopolitan values that underpin the political views of a growing number of people in the West today.[6] Neo-populist sentiment takes the form of public opposition to liberal international trade and investment regimes,[7] resistance to mass immigration and cultural liberalisation, and continuous protest against actions that are perceived as a surrender of national sovereignty to international bodies.[8] These risks are cited among the top ten faced by MNCs operating in the US and Europe today.[9]

Neo-populism can also be seen as a consequence of the significant economic changes driven by businesses over the past few decades. The globalisation of value chains and rise in automation[10] – while

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generally good for firms' efficiency and productivity – have contributed to increasingly stark income inequality in favor of the higher classes of society.[11] It has also resulted in unemployment in industries characterised by repetitive tasks and/or low-skilled labour.[12] In the US, for example, the share of national income of the bottom 90% of the population held steady at around 66% from 1950 to 1980 but fell to just over 50% at the start of the financial crisis in 2007.[13] This situation has created an identity crisis among many citizens.[14] Further, information silos enabled by social media have catalysed and reinforced this upheaval.[15] The multiplicity of these factors driving neo-populism in the West today distinguish it from classic populist movements. Trade, foreign investment, and immigration are most often blamed for these woes as they are perceived to

create unfairness and because foreigners are attractive scapegoats.[16]

Another notable difference in neo-populism in developed countries today compared to traditional populism in developing countries is the way in which the ideology is to some extent restrained by relatively robust institutions (e.g., the rule of law, the formal free press, the chance to elect new leaders, and the independence of the academic community). These institutions are not always present in developing countries. At the same time, the grounding-effects that such institutions may have are somewhat offset by the aforementioned effects of information silos and social media, and, in some places, a rising polarisation in the formal free press. This new economic and political environment requires different responses from incumbent MNCs (IMNCs) and MNCs

from emerging markets (EMNCs) relative to the strategies they have employed in classical neo-populist regimes.

An actionable perspective for neo-populism

The new market and non-market[17] conditions that current neo-populist economies impose on corporations requires a diverse set of responses by MNCs. In this climate, firms face strategic choices to mitigate the negative effects of neo-populism and/or to benefit from positive effects of local-orientation. Based on the expertise and insights of several executives along with additional data and examples from MNCs established in these regions, we provide insights about how to respond to neo-populism. Table 1 summarises these responses which we then expound upon.

Strategy Category	Strategy	Desired Effects
Risk forecasting	Reset risks in scenario planning minding nuances in neo-populist regimes	More accurate risk identification and smarter responses
Non-market strategies	More proactive and creative government lobbying	Strengthened local representation of MNC interests among lawmakers
Organisation & integration	Ramp up non-state stakeholder engagement and public relations	Better articulated contributions and benefits of the MNC's operations in host/home country, and how firm values align with those of the host/home country
	Time M&A better	Acquisitions, especially high-profile ones in strategically-sensitive industries, are more likely approved when public attention is elsewhere
	Increase investment	Greater local footprint and workforce increases local pain points if the MNC is forced out
	Further decentralise decision-making	Locally-groomed leaders reduce liability of foreignness and facilitate recognition of the MNC subsidiary as a local player with local benefits
	Reinforce product localisation	Downplay foreignness of products in the view of the general public
	Increase R&D presence, especially via formal R&D centers	Positive perception of unique local knowledge created and spilled-over to local community and industry
	Shift from single to multi-sourcing	Reduced exposure to single country; however, added costs for quality control and product safety performance
	List on local stock exchange	Local ownership and compliance with local regulations increases protection even from populist governments

Table 1. Strategic responses to rising neo-populism

1. Risk forecasting: reset scenario planning minding nuances in neo-populist regimes

As mentioned, the multiplicity of factors driving neo-populism in the West distinguishes it from classic populist movements. Meanwhile, the long-term manifestations of neo-populism in policy, law, and other forms of institutional change is to some extent restrained by Western institutions in a way that is not always the case for populist movements in developing economies. Further, IMNCs often concentrate most of their operations in neo-populist markets whereas EMNCs are often new to these markets. These dynamics often require top management of MNCs to think about rising neo-populism somewhat differently depending if they are operating in their home market or a foreign host market. For instance, IMNCs operating in their home markets should think about ways to exploit neo-populism in their own interest and be wary of fighting it visibly. In contrast, EMNCs and IMNCs operating in a foreign host market should think of ways to mitigate its results. These dynamics are reflected in the recommendations throughout the remainder of this article.

The first important recommendation is to ensure a continuous assessment and revision of the frameworks used for identifying and measuring risk. These updates should be placed on the monthly, or even (if acute) the daily, executive agenda. They will require renewed scenario analyses of the likelihood that populist-related shocks to policy and law will take place and an evaluation of the magnitude of commercial hazards they pose.

Some MNCs are already following this logic and revising their risk forecasting frameworks. For example, Citigroup has recently released a new method for evaluating European equities taking into account neo-populist political risk.[18] Risks from neo-populism span exchange rate volatility, various supply chain disruptions, changes in immigration policy (especially relevant for employing foreign talent), tax issues, and other areas, all of which need to be carefully delineated. For example, Panasonic, a Japanese electronics firm, has cited Brexit as the main reason for moving its European headquarters from the UK to the Netherlands. Firms operating amidst surging neo-populism that sell directly in high-risk industries or have suppliers in such industries need to be especially careful.

IMNCs often concentrate most of their operations in neo-populist markets whereas EMNCs are often new to these markets.

2. Non-market strategies: ramping up creative stakeholder-engagement

Ramped up non-market and marketing strategies can help MNCs navigate the dangers of neo-populism by explicitly considering political risks next to more economic-centric risks. Such non-market strategies may require MNCs to smarten up in the policy formulation process in key countries, an area that many firms are not well prepared for but in which they should especially vigilant and attentive. An obvious example of a smart approach in this regard is the mobilisation of many MNCs under the National Association of Manufacturers in the summer of 2018 to quietly lower US tariffs on hundreds of components produced in China that are used in US operations.[19] Working quietly and directly with government officials in neo-populist states can help circumvent public criticism of pro-trade policies. This approach may also help MNCs to secure important allowances or even incentives to recruit and retain foreign talent – which is becoming increasingly challenging amidst proposed changes to US immigration policy, Brexit, and stricter immigration policies in some EU countries.

MNCs can also mitigate risks from neo-populism by contributing to certain important items on the political agenda of the host county's government, such as job creation. Ford, an American auto manufacturer, has grappled with how to best do this amidst US neo-populism. In early 2017, Ford promised to scrap a plan to build a $1.6 billion car factory in Mexico and instead add 700 jobs in Michigan. Later that year it decided to go-ahead and assemble new battery-powered cars in Mexico rather than Michigan, but pledged to invest even more significantly in the Michigan plant, now focusing on self-driving cars. The importance of similar investment decisions is not only in their deployment but a pre-conceived marketing agenda that positions

the discourse of corresponding choices within the media and amongst key politicians. Mass communication is key to effectively respond to neo-populism.[20]

A third non-market strategy considers the compatibility between firm discourse with the one held by key government officials. An example is the rivalry in the washing machines industry between US firm Whirlpool and competitors LG Electronics and Samsung Electronics, both from South Korea. Whirlpool, who employs thousands of union workers in the US, recently argued that these South Korean firms have undercut its US business by exporting washers at unfairly low prices. By building on the semantics of the Trump administration's fight against foreign production of US consumed goods, Whirlpool engaged in an aggressive non-market strategy intent on garnering favor with US politicians to levy trade barriers against its South Korean rivals. Even when the strategic response to this movement was that both South Korean companies invested in new plants generating jobs in the US (LG is spending $250 million to build a 600-worker factory in Tennessee, while Samsung is investing $380 million to renovate a factory in South Carolina that will employ 950 people),[21] this did not prevent the Trump administration from imposing a tariff of up to 50% on large residential washing machines penalising Samsung and LG. As positive reinforcement for the government's decision, Whirlpool announced it was adding several hundred jobs in the US.

Of course, the liability of foreignness does not predestine all foreign MNCs to suffer from neo-populism. Nor does the so-called "liability of country of origin", which is primarily an issue for EMNCs, such as those from China.[22] One of the executives we interviewed from an auto MNC with operations in the US told us about their desire to adapt their non-market strategy. For instance, the firm is now engaging, for the first time, select factory workers at its plants in the US to reach out to state and federal lawmakers. The firm provides the workers with training about how trade and investment issues affect its US operations and then flies the workers to state capitols and Washington D.C. to lobby key politicians. The main message the workers pass to politicians emphasises the firm's contribution to the US

MNCs are well advised to engage the neo-populist public and governments even if, or sometimes especially if, they are often suffering from the effects of their neo-populist ideologies and policies.

economy and society. Despite technically being a foreign firm, the workers highlight the firm's contribution to the US in terms of jobs, production, and other economic value, as well as corporate social responsibility activities. While such messaging is not entirely new, the method of such outreach is more strategic and builds a new approach that is rooted not only in the host country but also its own citizens.

Both IMNCs and EMNCs can also benefit from heavily lobbying their home governments to negotiate with foreign host nations. This recently worked for ZTE, a Chinese MNC in the telecom equipment industry, who was able to facilitate a high-profile agreement between the US and Chinese government to limit sanctions imposed on the firm. Of course, not all firms will benefit from such explicit agreements. However, if and when a firm employs enough people in its home country in an industry of strategic importance, and if its home government is engaged with a smart non-market strategy, the home state has a strong incentive to proactively support the firm abroad.

In addition to a government-focused non-market strategy, our interviews suggest that both IMNCs and EMNCs can benefit from ramping up non-state stakeholder engagement and public relations. This can include stepping-up social and traditional media advertising campaigns to highlight how the firm's values align with those of the host/

Local faces reduce the perceived foreignness of the MNC while increasing local influence and representation among key stakeholder groups.

home nation and otherwise contributes to the sustainability of that nation. The indirect societal benefits that firms offer are easily overlooked, so specialised skills are required to articulate them.

MNCs are well advised to engage the neo-populist public and governments even if, or sometimes especially if, they are often suffering from the effects of their neo-populist ideologies and policies. Firms, such as GM, Caterpillar, and Harley Davidson have reported that they are losing money due to neo-populist policies, especially new US tariffs on foreign steel and aluminum. Tech firms, such as Apple, are also being hurt by the US' trade wars.[23] A clearly failed response to this new environment is Harley Davidson's poorly articulated public plan in 2018 to move production overseas in response to rising tariffs in the US. This mistake has resulted in Harley's patriotic US consumer base rethinking their loyalty to what they thought was an "all American" company.[24]

3 Integration & organisation: time high-profile M&A better and/or localise smarter

Recent revisions to national security reviews in neo-populist states can complicate, if not fully scupper, attempts by foreign MNCS to merge with or acquire local firms. For instance, in the last three years, the inbound investment laws of the US, UK, France, Germany, Italy, and Lithuania, have all been made notably more restrictive.[25]

It appears that the risk of failing security reviews currently disproportionately affects Chinese EMNCs. Such firms are often seen as opaque extensions of the Chinese Communist Party's allegedly strategic "mercantilism". Many Chinese EMNCs are also seen as serious competitors, often supported by the state and with growing innovation and strategic capabilities.[26] In 2016, almost $75 billion in Chinese overseas deals were cancelled, in part due to inward investment restrictions by neo-populist states.[27] Most recently, in July 2018, the German authorities intervened to block a Chinese investor's attempt to acquire Leifeld Metal Spinning, a German machine tool firm. This follows German state intervention earlier in 2018 to block the acquisition of Cotesa, a German aerospace company, by state-run China Iron & Steel Research Institute Group.

Our discussions with Chinese EMNCs indicated that the most straightforward response to these regulatory shifts was to delay acquisitions of US and European firms in sensitive industries in the short-term. Such acquisitions are more likely to be approved when public attention is elsewhere. Sensitive industries have traditionally included ones where dual-use (civilian and military) technologies are prevalent, but now also include new energy, banking, information technology, and a range of other high-technology industries, some of which the Chinese state has explicitly targeted as part of its "Made in China 2025" plan for economic and technological leapfrogging.

At the same time, not all Western countries are equally restrictive of Chinese investment. In fact, several central and eastern European countries, for example, Hungary, Bulgaria, the Czech Republic, Croatia, have recently attracted significant investments from Chinese EMNCs.[28] Greece, and Italy are also embracing certain Chinese investments. These investments are, ironically, also part of rising neo-populism, fueled by a sense of disenfranchisement with the EU and the search for powerful yet

distant partners in their quest to retain their independence. This phenomenon provides continued opportunities for Chinese and other EMNCs looking to make inroads into Western markets.

A related issue for firms and individual investors is the need to be careful about how they are funded. Chinese SOEs are not the only targets of neo-populist government suspicion. Recent research for the US Department of Defense has raised concern that much of the venture capital (VC) originating from China is orchestrated by the Chinese state to strategically sap the US of its crown jewel technologies.[29] Similar concerns have recently been raised about Russian VC.[30] In order to avoid regulatory hurdles that may accompany these suspicions, firms should seek to diversify away from such funding, at least in the near-term. This is understandably very difficult for domestic startups, the typical customers of VC investment, as they have limited options for internal funding and market entry timing is a major strategic concern.

In the case of MNCs, our interviewees suggested that, in addition to more cautiously approaching M&A and financing, MNCs need to re-evaluate their localisation strategies. The most intuitive strategy is to work on a "local" production strategy for all international products. By reducing any reminiscent foreignness of the MNC's products, especially in consumer goods industries, it is more difficult for the general public – the source and target of neo-populist governments – to develop negative perceptions about the foreign firm and its products. The Japanese inventors of Pac-Man deliberately rebranded their product to sound more American in order to avoid US populist backlash in the early 1980s. Today, amidst neo-populism, Lenovo, a Chinese technology firm, has increasing pursued "agnostic branding": positioning itself as a global technology firm rather than a Chinese one.

A more significant strategy is to localise leadership. This decentralisation of decision-making into populist countries ensures that there are high-level executives from such countries heading key corporate units. Such decentralisation should not be limited to merely local management but could also include top-level appointments to the global board of directors, as illustrated by the many Westerners sitting on the board at Lenovo. Local faces reduce the perceived foreignness of the MNC while increasing local influence and representation among key stakeholder

Mass communication is key to effectively respond to neo-populism.

groups. Of course, global management must still ensure that the local country management remains strategically aligned with the rest of the MNC.

Our interviewees suggested that to make an even stronger statement companies should consider the local establishment of strategic operations, such as R&D centres. R&D investments are the most desired form of FDI as they are pure cost-centres, i.e., foreign money pays for local salaries and taxes, creates local knowledge and spill-overs for the local ecosystem, and trains local talent. Local R&D centres also help quickly establish a "good local citizen" image – which is much needed when foreign MNCs, especially those from China, are increasingly viewed as raiders of Western technology with the only intent of helping themselves and the Chinese state. Setting up formal R&D centres can also enable bypassing of nationalist regulations, facilitate the localisation, and groom local talent for global leadership positions.

Shifts in sourcing arrangements might also be considered alongside new localisation initiatives, but should be approached with caution. On one hand, multi-sourcing is recommended for the non-strategic supply chain.[31] On the other hand, multi-sourcing runs counter to the trends of supply chain integration, as well as streamlined product quality and safety performance improvement.

Last but not least, MNCs might consider local stock-market listings as a final tool to combat rising neo-populism. Listings raise local shareholder ownership and therefore protect the firm's global leverage.[32] This option is equally valid for IMNCs as it is for fast-developing startups and EMNCs.

Conclusion

We have outlined several practical strategies that MNCs can take to combat the risks posed by rising neo-populism in Western markets. These strategies include (1) resetting risk scenario-planning differently than in classic populist regimes, (2) ramping-up creative stakeholder-engagement, (3) timing high-profile M&A better, and (4) localising smarter. Of course, the strategies should not be considered in isolation: they should be aligned with the firm's core values, profit orientation, culture, and organisation. If designed and implemented right, the strategies can make neo-populism far less of a business hazard than it may seem at present. **ER**

About the Authors

Dan Prud'homme is an associate professor at EMLV Business School (École de Management Léonard de Vinci, Paris, France). He is also a non-resident senior researcher at the GLORAD Center for Global R&D and Innovation at Tongji University (Shanghai, China).

Max von Zedtwitz is Professor at Kaunas University of Technology and Southern Denmark University, and Director of the GLORAD Center for Global R&D and Innovation. Previously, he was Professor at Tsinghua, Tongji, and Peking Universities in China, as well as Vice President Global Innovation for PRTM Management Consultants based in Shanghai.

Fernanda Arreola is a Professor of Strategy & Entrepreneurship at École de Management Léonard de Vinci where she is chair-holder of Service Innovation Chair as well as head of the Business Research Group. Fernanda has held numerous managerial and possesses a range of international academic and professional experiences that lead many of her research and teaching interests.

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DESIGN THINKING
as a Strategy for Innovation

BY LINDA NAIMAN

Design-led companies such as Apple, Pepsi, Procter & Gamble and SAP have outperformed the S&P 500 by an extraordinary 211%. In this article the author highlights the distinctions between design and design thinking and how the latter, if executed properly and strategically, can impact business outcomes and result in real competitive advantages.

When design principles are applied to strategy and innovation, the success rate for innovation dramatically improves. Design-led companies such as Apple, Pepsi, IBM, Nike, Procter & Gamble, and SAP have outperformed the S&P 500 over a 10-year period by an extraordinary 211% according to the 2015 Design Value Index created by the Design Management Institute and Motiv Strategies.[1]

Great design has that "wow" factor that makes products more desirable and services more appealing to users. Designing is more than creating products and services; it can be applied to systems, procedures, protocols, and customer experiences. Design is transforming the way leading companies create value. The focus of innovation has shifted from being engineering-driven to design-driven, from product-centric to customer-centric, and from marketing-focused to user-experience-focused. For an increasing number of CEOs, design thinking is at the core of effective strategy development and organisational change.

Roger Martin, former Dean of Rotman School and author of *The Design of Business*, asserts, "Design-thinking firms stand apart in their willingness to engage in the task of continuously redesigning their business… to create advances in both innovation and efficiency – the combination that produces the most powerful competitive edge."[2]

You can design the way you lead, manage, create and innovate. Moura Quayle, the author of *Designed Leadership*, says, "Great leaders aspire to manage 'by design', with a sense of purpose and foresight. Lessons learned from the world of design when applied to management, can turn leaders into collaborative, creative, deliberate, and accountable visionaries."[3]

Despite what critics say, design thinking is not a fad (although if not managed well, it can result in failure). Consulting firms such as McKinsey, Accenture, PwC, and Deloitte have acquired design consultancies: evidence of design's increasing influence on business. Jeanne M. Liedtka, Strategy Professor at Darden School UVA and design thinking educator, views design thinking as a "social technology which has the potential to do for innovation exactly what TQM did for manufacturing: unleash people's full creative energies, win their commitment, and radically improve processes".[4]

Designing is more than creating products and services; it can be applied to systems, procedures, protocols, and customer experiences. Design is transforming the way leading companies create value.
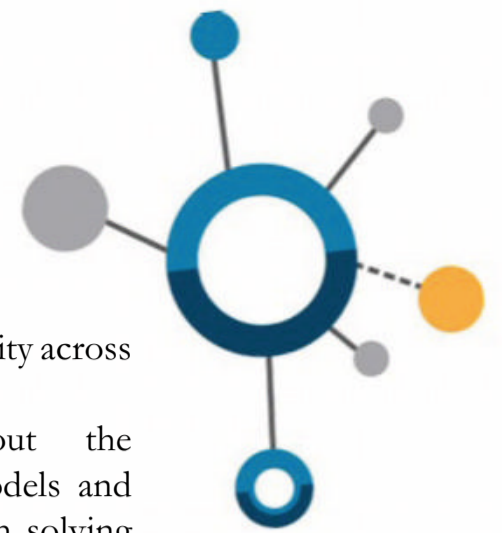
Distinctions Between Design and Design Thinking

Steve Jobs famously said, "Most people make the mistake of thinking design is what it looks like. People think it's this veneer – that the designers are handed this box and told, 'Make it look good!' That's not what we think design is. It's not just what it looks like and feels like. Design is how it works."[5]

Tim Brown, CEO of IDEO, the design company that popularised the term design thinking, says "Design thinking can be described as a discipline that uses the designer's sensibility and methods to match people's needs with what is technologically feasible and what a viable business strategy can convert into customer value and market opportunity."[6] Thinking like a designer brings together what is desirable from a human point of view with what is technologically feasible and economically viable. It also allows people who aren't trained as designers to use creative tools to address a vast range of challenges.

Design thinking draws on logic, imagination, intuition and systemic reasoning to explore the possibilities of what could be and to create desired outcomes that benefit the end user (the customer). A design mindset is not problem-focused, it's solution-focused and action-oriented. It involves both analysis and imagination.

Design thinking is linked to creating an improved future and seeks to build ideas up – unlike critical thinking, which breaks them down. Problem-solving is making something go away. Creating is bringing something into being. Design thinking informs human-centred innovation and begins with developing an understanding of customers' or users' unmet or unarticulated needs. The purpose of design, ultimately, in my view, is to improve the quality of life for people and the planet.

What is the driving force behind design thinking?

The biggest driving force is the accelerated rate of change in business and society caused by advances in technology. As companies become more software-driven, and the rate of change increases, so does complexity.

"Most companies are optimised to execute and solve a stated problem. Creativity is about finding the problem worth solving. An absence of a scalable creative framework encourages incremental innovation in lieu of disruptive innovation. As companies strive for disruptive innovation, they must find ways to inject and scale creativity across their organisations.

Digital transformation is about the accelerated disruption of business models and requires a mind-set shift from problem solving to problem finding. CEOs need to be visionary leaders: from establishing an internal culture that encourages ideation, creation, and iteration, to building strategic partnerships to create new value propositions."[7] – Sam Yen, Chief Design Officer and Dr. Chakib Bouhdary, Digital Transformation Officer, at SAP

Design thinking is our best tool for sense-making, meaning making, simplifying processes, and improving customer experiences. Additionally, design thinking minimises risk, reduces costs, improves speed, and energises employees. Design thinking provides leaders with a framework for addressing complex human-centred challenges and making the best possible decisions concerning:

- Redefining value
- Re-inventing business models
- Shifting markets and behaviours
- Organisational culture change
- Complex societal challenges such as health, education, food, water and climate change
- Problems affecting diverse stakeholders and multiple systems

Design thinking succeeds when it finds ideal solutions based on the real needs of real people. In a recent *Harvard Business Review* article on the evolution of design thinking, Jon Kolko noted, "People need their interactions with technologies and other complex systems to be simple, intuitive, and pleasurable. Design is empathic, and thus implicitly drives a more thoughtful, human approach

> " Most people make the mistake of thinking design is what it looks like. People think it's this veneer — that the designers are handed this box and told, 'Make it look good!' That's not what we think design is. It's not just what it looks like and feels like. Design is how it works. "
>
> – Steve Jobs

to business."[8] When done well, human-centred design enhances the user experience at every touch point and fuels the creation of products and services that deeply resonate with customers.

Design thinking informs human-centred innovation. It begins with developing an understanding of customers' or users' unmet or unarticulated needs. "The most secure source of new ideas that have true competitive advantage, and hence, higher margins, is customers' unarticulated needs,"[9] says Jeanne Liedtka (Batten Briefings, 2014), "Customer intimacy – a deep knowledge of customers and their problems – helps to uncover those needs."

Design thinking minimises the uncertainty and risk of innovation by engaging customers or users through a series of prototypes to learn, test, and refine concepts. Design thinkers rely on customer insights gained from real-world experiments, not just historical data or market research. McKinsey reports the best results come from constantly blending user research – quantitative (such as conjoint analysis) and qualitative (such as ethnographic interviews) with market-analytics.

A Framework for Design Thinking

When you are facing uncertainty, it's essential to have a structured thinking process to guide your journey. Design thinking offers a structured framework for understanding complexity and pursuing innovation, which I see as being part scientific inquiry and part art. Jeanne Liedtka notes that a new business concept derived from observing customers is actually a hypothesis – a well-informed guess about what customers desire and what they will value. Rapid prototyping provides the means to place small bets on a hypothesis and test it out before investing in expensive resources.

Design thinking is also like jazz. The structure offers a basic melody from which you can improvise, but like any art-form, you need to master the basics first. Kaaren Hanson, head of Design Strategy at Intuit explains, "Anytime you're trying to change people's behaviour, you need to start them off with a lot of structure so they don't have to think. A lot of what we do is habit, and it's hard to change those habits. So, by having very clear guard rails, we help people to change their habits. And then

once they've done it 20 or 30 times, then they can start to play jazz as opposed to learning how to play scales."[10]

The framework I designed for Creativity at Work (see diagram 1) integrates design thinking principles with classic creative problem-solving (Osborne-Parnes, 1953).[11] Creativity is central to design, so I include artistic processes to find aesthetic ways of knowing to stimulate the imagination and assist in sense-making and meaning-making.
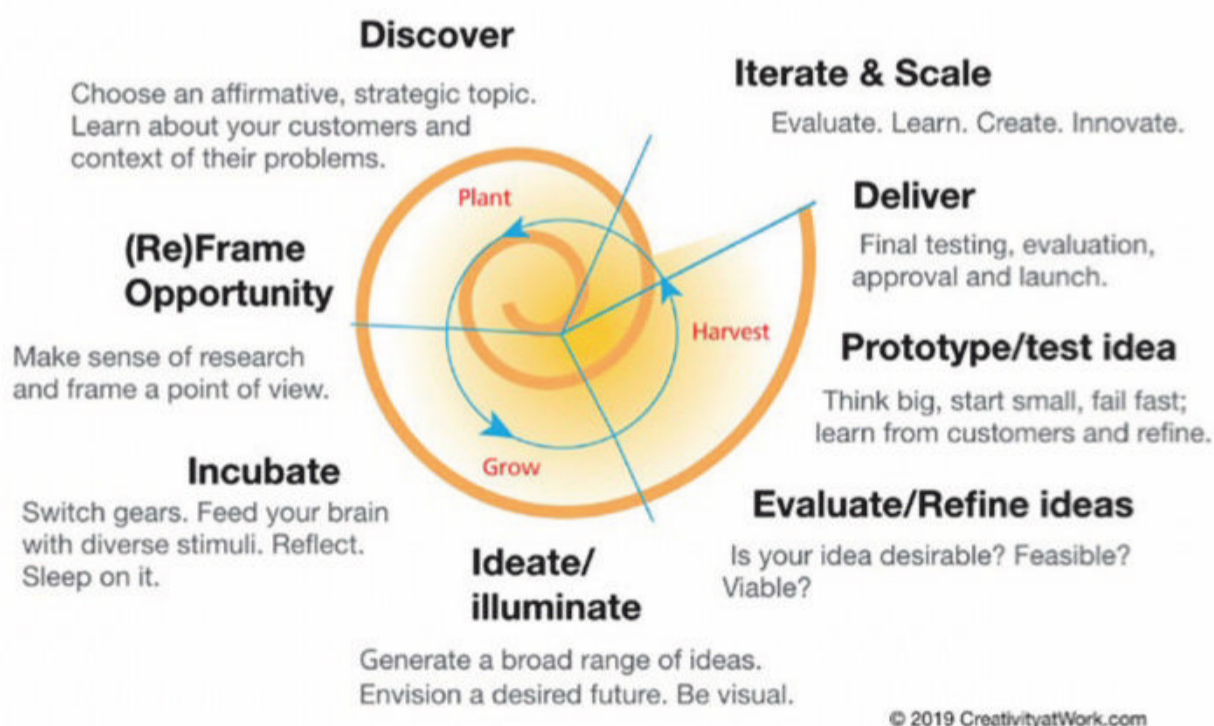
The design thinking is an iterative non-linear cycle which involves developing a deep understanding of customers' or users' unmet needs within the context of a particular situation, making sense of data and discovering insights, questioning assumptions, exploring different perspectives, reframing problems into opportunities, generating creative ideas, critiquing and choosing ideas, testing through prototyping and experimentation, refining solutions, and finally implementing your innovation.

Implementing design thinking

Design Thinking is a journey of learning and discovery. It's also a way of being. If you are strategising, you are designing.
- Start at the beginning. Learn how to be a design thinker/doer from a seasoned practitioner.
- Look for ways to add quality/value to your offerings.

> **When done well, human-centred design enhances the user experience at every touch point and fuels the creation of products and services that deeply resonate with customers.**

Diagram 1: Creativity at Work Design Innovation Protocol 2019

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- Build your creative confidence by conducting low-risk experiments, such as designing a meeting with your team. Ask questions which you don't have answers for.
- Learn how to coach and facilitate for creativity, co-creation and collaboration. This is crucial for creating a safe space for conceptual risk-taking.
- Stay focused on the users' experience.
- Help teams unlock provocative insights, reframe existing problems, and generate ideas in response to your research.
- Encourage multiple perspectives. Reframe constraints into opportunities and check assumptions.

The five practices that enable innovation include: (1) the development of a deep empathic understanding of user needs and context; (2) the formation of heterogeneous teams; (3) dialogue-based conversations; (4) the generation of multiple solutions winnowed through experimentation; and (5) the use of a structured and facilitated process.[12]

Scaling Design Thinking

SAP, P&G, IBM, and Cisco are integrating design and design thinking throughout the organisation, by creating their own frameworks, educating employees at all levels, hiring professional designers and design researchers, as well as acquiring design companies in order to operate at scale.

Cisco was the first company to launch non-tech HR hackathon in 2016. They used design thinking to "break" and then

Diagram 2: Stanford Design Thinking Model
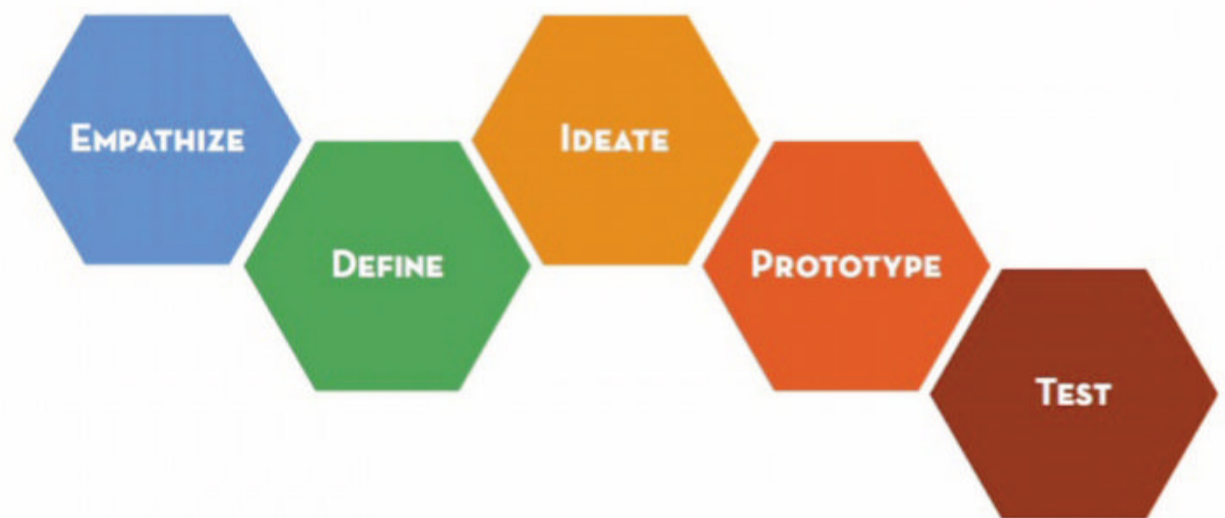
re-imagine HR solutions for 71,000 global Cisco employees. The "Breakathon" gave birth to 105 new HR solutions covering talent acquisition, new hire on-boarding, learning and development, team development, and leadership.[13]

Charlie Hill, Chief Technology Officer of IBM Design, said "Our teams had a very engineering-centric culture, but in 2012, everything changed. We wanted to shift that culture towards a focus on users' outcomes."[14] They made the pivot from standalone, siloed business units to a cloud-first and AI strategy. Karel Vredenburg, head of IBM Design said this enormous transformation wouldn't have been possible without embedding design thinking into the company culture – and innovating on the methodology to make it uniquely their own.[15]

When Indra Nooyi was the Chairman and CEO of PepsiCo (2006–2018), she decided the company needed to rethink its innovation process and design experience. "It's much more than packaging," Nooyi told the

Harvard Business Review. In 2012, she hired Mauro Porcini as Pepsi's first-ever Chief Design Officer, placing design thinking at the core of business strategy and leadership. "Now, our teams are pushing design through the entire system, from product creation to packaging and labelling, to how a product looks on the shelf, to how consumers interact with it."

During his tenure as CEO of Steelcase, Jim Haskett pioneered the team-oriented, open workspaces (with the help of anthropologists, sociologists and tech) and transformed the furniture company into a leader of the revolution in the way we work.[16] Now, he is tasked with transforming General Motors by design, in his new role as CEO.

SAP describes its design thinking journey as one that develops from a set of tools, to a methodology, to a mind-set, and until finally becomes a culture. It has identified four critical success factors when implementing design thinking:

When you involve customers and/or stakeholders in the process of defining the problem and in developing solutions, you have a much better chance of gaining commitment for change, and getting buy-in for your innovation.

A design mindset is not problem-focused, it's solution-focused and action-oriented. It involves both analysis and imagination.

1. **Leadership**: Link design thinking initiatives to your strategic goals.Provide direction, resources, and commitment.
2. **People**: Enable champions to lead the change through successful lighthouse projects. Build up an internal design thinking community where best practices are shared.
3. **Process**: Use the generic design thinking framework, but evolve the method and tools so they support your company's objectives.
4. **Environment**: Develop and create collaborative workspaces for your workforce. Use to co-innovate with your customers and partners.

Design thinking works because it is a collaborative co-creative process grounded in engagement, dialogue, and learning. When you involve customers and/or stakeholders in the process of defining the problem and in developing solutions, you have a much better chance of gaining commitment for change, and getting buy-in for your innovation. 🔳

About the Author

Linda Naiman is the founder of CreativityatWork.com and co-author of *Orchestrating Collaboration at Work*. She brings a multi-disciplinary approach to learning and development based on her background as an artist and designer, helping executives and their teams develop creative and innovation capabilities through arts-based learning and design thinking. Organisations that have sought out Linda for her expertise include Cisco Systems, Dell International, Intel, BASF, HSBC, and Dawn Food Products.

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Diesel Polluting German Cities: GIVE US A BRAKE!

BY STEFAN KRAUSE AND BORIS LIEDTKE

The German diesel car industry still claims its innocence on the air pollution accusations that have bombarded it in the past few years. But comes along a new player in the field – electric cars. How will the emerging e-car industry affect the people's on-going demand for a greener Germany? Does a revolutionary e-car brake system – said to reduce fine particle emissions – have what it takes to replace diesel cars?

There is a green revolution developing in the large cities of Germany. Following pressure from environmentalists and citizens who suffer from breathing difficulties such as asthma, pulmonary disease and allergies, many German city councils have taken drastic steps to disallow the use of diesel cars on certain roads of inner cities. In the case of Stuttgart, arguably and ironically the capital of the German car industry with headquarters for Mercedes, Porsche and Bosch, the city went even further and banned the use of diesel combustion engines in the entire city and its suburbs. The impact on the automobile industry and owners of diesel cars are dramatic, so it is only natural that they are fighting back. At stake are hundreds of billions in value for car owners and hundreds of billions of intangible assets in patents, logistic chains and production know-how for the traditional automobile industry.

Unfortunately, city policies are frequently cynical as well as inconsistent in their implementation. They're cynical because in most cases the city politicians demand a standard from their population, which is beyond what they demand of themselves. Diesel owners are no longer allowed to use their cars in the inner city but city owned, public vehicles are exempted from these restrictions. Therefore diesel car owners are complaining bitterly about being de facto expropriated of the use of their investment in their automobile, while the city drives happily around in old buses and trucks that are polluting. Politicians should hold themselves and their administration to a higher standard than the governed population, not the other way around. In addition, the policies are inconsistent because the science and analysis around the pollution of combustion engines shows little difference between health damage caused by diesel vehicles compared to petrol engines. The level of pollution correlates more with the age, technology and maintenance of the vehicle rather than with the type of fuel used. It matters little if the combustion engine is driven by diesel or fuel. The only currently practical and feasible solutions are battery powered electric vehicles.

> In the case of Stuttgart, arguably and ironically the capital of the German car industry with headquarters for Mercedes, Porsche and Bosch, the city went even further and banned the use of diesel combustion engines in the entire city and its suburbs.

Electric cars in Germany
Photo by: https://electrek.co

As the resale values of diesel cars in Germany are dropping and the sale of new diesel cars is plummeting, the automobile industry is hitting back in a desperate attempt to salvage their substantial investment in diesel technology for as long as possible. The resulting court cases between the industry and the diesel car owners against the city councils and broad population focus on the measure of fine air particles and debating the levels of when these become health threatening. Both sides have several points to argue. The diesel owners insist that the acceptable levels of fine particles in the air are arbitrary, the measurement stations are unfairly located, there is no proven correlation between fine particles in the air and health risks, allegedly the ocean spray along coastlines cause more fine particles than traffic, etc.

By quoting their own expert studies, the diesel engine opponents argue facts full of horror and health doom. One example is an analysis by the World Health Organisation (WHO) on ambient air pollution contributing to 6.7% of all deaths worldwide; in particular 16% of lung cancer, 11% of chronic obstructive pulmonary disease and 20% of ischaemic heart disease and strokes. The WHO estimated that in the European region alone, air pollution caused 600.000 premature deaths with an estimated financial damage of over EUR1.5 trillion in 2010 alone. It is questionable whether it's appropriate to financially measure such human tragedy

The discussion has escalated emotionally and fundamentally to such high levels that managers

The WHO estimated that in the European region alone, air pollution caused 600.000 premature deaths with an estimated financial damage of over EUR1.5 trillion in 2010 alone.

from automotive companies and suppliers even claim, "A modern Diesel [engine] cleans the air." These questionable statements certainly do not help the credibility of the industry – an industry that has been caught developing technology with the sole purpose to cheat emission testing. The public and politicians take little notice of these comments and rightly dismiss them as trivial claims by an industry that has been sleeping for decades and is now fighting for survival.

As further advantages of the electric car emerge through technological progress and more scandals around the combustion engine surface, the self-serving position of the traditional car industry in favour of the combustion engine will become as untenable as the resale price of diesel cars.

One of these examples is the benefit that electric drivetrains have when braking. As frequently argued by defenders of the old technology, all diesel engines of privately owned vehicles in Germany merely account for 22% of the fine particles emissions (PM-10) from traffic. They point towards other sources of particle related pollution such as the wear and tear of mechanical brake pads (8%). Fine particles from braking pads are particularly vicious for our health as they are frequently composed of iron, copper, asbestos and other metals, which can cause inflation in our lungs and therefore increase the risk of cancer. Compared to these, fine particles such as salt crystals from the ocean spray are even considered healthy by some.

There is a significant benefit of an electric car that has been widely ignored. Going back as far as 1894, the French electric automobile pioneer Louis Antoine Krieger introduced a feature that allowed the engine, which normally drove the front wheels of the electric car to work in reverse as a generator while slowing down the vehicle without activating the traditional brakes. Of course at that time the idea behind this innovation was not to reduce fine particles but to recover kinetic energy from the vehicle's forward movement and turn it into electric energy to recharge the battery.

This feature also produces a considerable braking effect that avoids, in difference to traditional mechanical brakes, fine particle

> Most of the speed reduction will be achieved through regenerative braking technology. For the driver this will be seamless as he or she presses the brake pedal; the energy from forward motion will be used to recharge the battery, slow down the vehicle and subsequently avoid any fine particles being emitted.

emissions. This regenerative braking can be particularly useful in city traffic with its constant start and stop movement. The forward motion, for which valuable energy has been used up in acceleration, is recycled to the battery instead of wasted. For example Audi AG claims that this technology already contributes 30% of the 400km maximum range of its top SUV model. The technology surrounding this method of braking is still in its infancy as investment in R&D for the electric vehicle has only recently started to take off. Nevertheless, firms such as Tesla have already different strength de-acceleration levels for their vehicles. It will only be a matter of time before e-cars will use traditional brakes exclusively in emergencies. Most of the speed reduction will be achieved through regenerative braking technology. For the driver this will be seamless as he or she presses the brake pedal; the energy from forward motion will be used to recharge the battery, slow down the vehicle and subsequently avoid any fine particles being emitted. This will be a financial challenge for all automobile suppliers who have significant investments in brake technology.

Bosch is one such firm. In 1978, Bosch became the first firm to build and deliver an electronic four-wheel multi-channel anti-lock braking system (ABS) as an option for the Mercedes-Benz W116. The technology was revolutionary as it avoided the locking up of the wheels during an emergency stop, increased the control of the driver in such a situation and even shortened the brake distance required.

Funny enough, and as a good parallel to today's discussion, this advanced technology was initially met by scepticism from those with a vested interest in the existing solutions. Competitors warned that ABS was in fact dangerous for the user as those cars with ABS would come to a halt faster than others and hence increase the risk of rear-end collisions between cars.

The ridiculous claim that progress in braking technology was detrimental caused a significant delay in the introduction and adoption of ABS. This resistance arguably lead to hundreds if not thousands of unnecessary accidents, injuries and traffic related deaths. Only in 1987 did ABS become standard in all Mercedes-Benz vehicles. Other manufacturers followed shortly afterwards. Since then Bosch has been profiting handsomely from its associated patent rights and remains one of the key market players in braking technology.

And again, today we observe the same attitude. Instead of embracing the new technology and shift R&D investment into the future, valuable time, effort and credibility are used up to defend the past.

The credibility of the automobile industry and its suppliers has already been seriously damaged through systematic and organised fraud. It doesn't serve its customers, the population or its shareholders to continue to damage their own credibility by making more outrageous claims defending the combustion engine and attempting to disqualify the electric car. It is time for the industry to embrace the future by putting cleaner e-cars with cleaner braking technology into our cities and abandon the ridiculous claim that combustion engines are not a health hazard. So give us a Brake – a Regenerative Brake! ⧠

About the Authors

Stefan Krause is CEO and Founder of Canoo, an electric vehicle company addressing the future needs of urban mobility. He has over 30 years business experience, including 14 years experience as a Management Board Member of German Blue Chip companies. Prior to this, he had a dynamic career building tenure at BMW that began in 1987. He holds a Masters in Business Administration from the University of Würzburg in Germany and serves as the President of the Schmalenbach-Gesellschft, a prestigious academic and business association in Germany.

Dr Boris N. Liedtke is the Distinguished Executive Fellow at INSEAD Emerging Markets Institute and has over twenty years experience in the financial sector. He was the CEO of the largest bank by assets in Luxembourg and board member for Operations at the largest German fund manager. He is author of numerous articles on finance and trade as well as having received his PhD from the London School of Economics for the publication of *Embracing a Dictatorship* by MacMillan.

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SOFT LEADERSHIP and WOMEN LEADERSHIP

BY M.S. RAO

The article introduces the concept of "soft leadership" and illustrates what differentiates soft leadership from hard leadership, and explores how to acquire six characteristics – character, conscience, courage, compassion, commitment, and contribution to excel as successful women leaders and CEOs based on the practice of soft leadership.

"Our emerging workforce is not interested in command and control leadership. They don't want to do things because I said so, they want to do things because they want to do them." – Irene Rosenfeld

Soft leadership is a new leadership perspective that is closely connected with women leadership. Hence, we will discuss soft leadership and its relevance to women leadership. Women leadership can be defined as the process of women leading from the front with an example by managing the emotions, egos, and feelings of all people especially men by breaking the glass ceiling to accomplish organisational goals and objectives.

What is Soft Leadership?
"First they ignore you, then they laugh at you, then they fight you, then you win." – Mahatma Gandhi

There are 11 Cs that constitute soft leadership – character, charisma, conscience, conviction, courage, communication, compassion, commitment, consistency, consideration, and contribution. Here are the inspiring examples connected with each C. Mahatma Gandhi is associated with character, Mikhail Gorbachev with charisma, Martin Luther King Jr. with conscience, Aung San Sui Kyi with convictions, Alexander the Great with courage, Winston Churchill with communication, Mother Teresa with compassion, Nelson Mandela with commitment, John Wesley with consistency, Dalai Lama with consideration, and Booker T. Washington with contribution. It is highly challenging for people to cultivate these 11 characteristics. However, if people possess more than six traits they get into the fold of soft leadership.

The author requested Dave Ulrich, father of modern HR who is his good friend, to create leadership code and the latter consented and mapped 11 Cs onto leadership code thus giving sanctity to soft leadership.

Soft leadership is a people-oriented leadership without compromising the task-orientation. It is to accomplish goals and objectives through persuasion, not through pressure. It is to lead with soft skills and people skills. It blends soft skills, hard skills, and leadership. It emphasises

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the significance of precious Human Resources. It helps in managing the emotions, egos, and feelings of the people successfully. It focuses on the personality, attitude, and behaviour of the people, and calls for making others feel important. It is an integrative, participative, relationship, and behavioral leadership model adopting tools such as persuasion, negotiation, recognition, appreciation, motivation, and collaboration to accomplish the tasks effectively. Succinctly, soft leadership can be defined as the process of setting goals; influencing people through persuasion; building strong teams; negotiating them with a win-win attitude; respecting their failures; handholding them; motivating them constantly; aligning their energies and efforts; recognising and appreciating their contribution in accomplishing organisational goals and objectives with an emphasis on soft skills. It is based on the right mindset, skill set, and toolset. Here is the diagram (Figure 1) connecting 11 Cs that collectively constitutes soft leadership.

Since the world is changing fast, this leadership perspective is very much essential. With the entry of millennials who are smart and ambitious, this leadership perspective is more essential than ever before. Additionally, this leadership style is the need of the

Leaders are learners: from success, failure, assignments, books, classes, people, and life itself. Passionate about their beliefs and interests, they expend an enormous personal energy and attention on whatever matters to them.
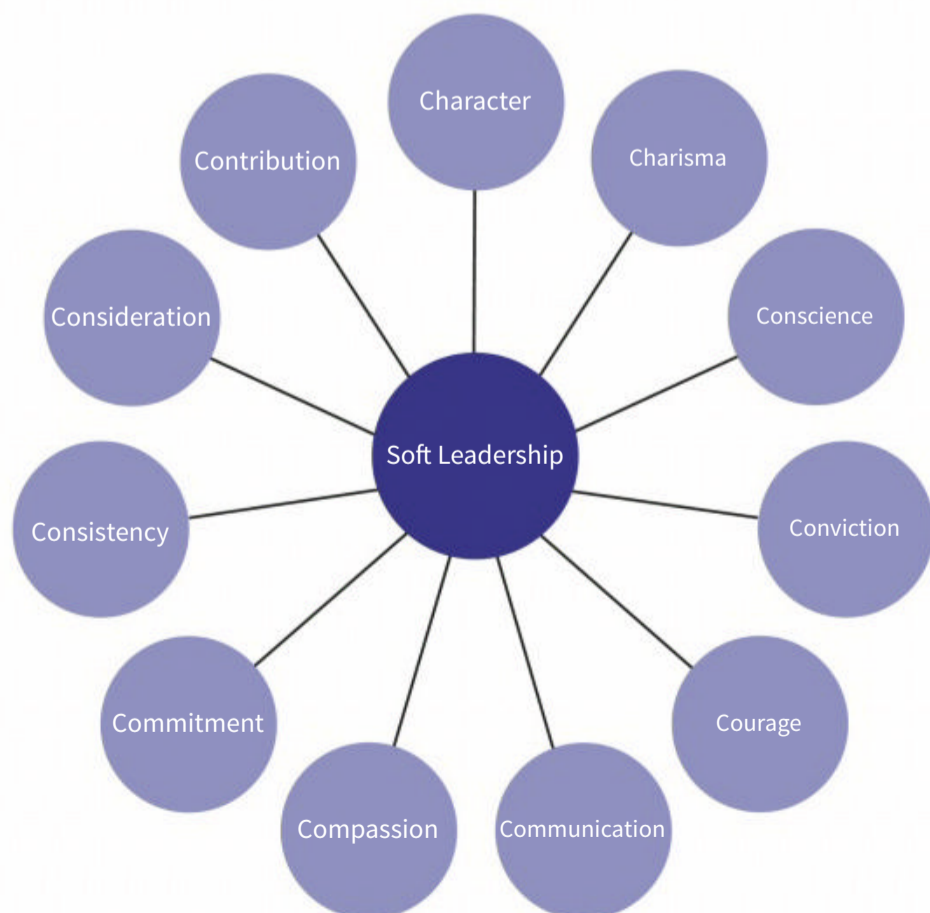
hour with the advent of AI (Artificial Intelligence) and Fourth Industrial Revolution.

Soft Leadership and Other Leadership Styles

Soft leadership is different from other leadership styles especially servant leadership and transformational leadership. Robert Greenleaf coined servant leadership which contains 10 characteristics – listening, empathy, healing, awareness, persuasion, conceptualisation, foresight, stewardship, commitment to the growth of people, and building community; while soft leadership contains 11 characteristics – character, charisma, conscience, conviction, courage, communication, compassion, commitment, consistency, consideration, and contribution. Hence, both are different. The main objective of servant leadership is to have a servant attitude and heart to serve the people. However, soft leadership deals with the manner in which leaders lead others to accomplish their goals and objectives.
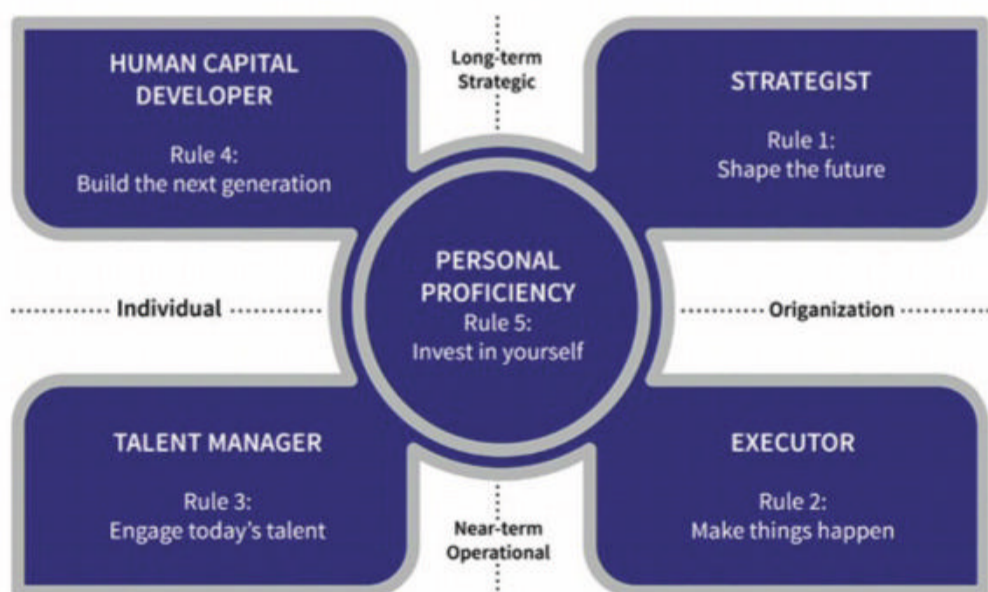
Soft leadership is different from transformational leadership because transformational leadership emphasises 4 Is. The main objective of transformational leadership is to transform individuals and institutions. Soft leadership comprises of 11 Cs while transformational leadership presented by Bass and Avolio comprises of four Is: (a) inspirational motivation, (b) idealised influence, (c) individualised consideration, and (d) intellectual stimulation. Transformational leaders lead followers to levels of higher morals. Soft leadership involves handling the people with soft skills and people skills to get the tasks executed effectively while transformational leadership involves in transforming the individuals and institutions with the help of 4 Is. Additionally, according to Burns, the transformational leadership explains that both the leader and the follower lift each other to higher levels of morality and motivation.

Dave Ulrich's Interpretation of 11Cs

Dave Ulrich, the Partner of The RBL Group, has interpreted 11Cs by mapping onto leadership code as follows:

Strategists: Strategists answer the question, "where are we going?" and make sure that those around them understand the direction as well. They do not only envision, but also can create a future. They figure out where the organisation needs to go to succeed, they test these ideas

Figure 1. The Eleven Cs of Soft Leadership

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Figure 2. David Ulrich's Leadership Code:

HUMAN CAPITAL DEVELOPER

Rule 4:
Build the next generation

Long-term Strategic

STRATEGIST

Rule 1:
Shape the future

PERSONAL PROFICIENCY
Rule 5:
Invest in yourself

Individual

Organization

TALENT MANAGER

Rule 3:
Engage today's talent

Near-term Operational

EXECUTOR

Rule 2:
Make things happen

pragmatically against current resources (money, people, organisational capabilities), and they work with others to figure out how to get from the present to the desired future. Strategists have a point of view about the future and are able to position their organisation to create and respond to that future.

Executors: The Executor dimension of the leadership code focuses on the question, "how will we make sure we get to where we are going?" Executors translate strategy into action, make change happen, assign accountability, know which key decisions to take and which to delegate, and make sure that teams work well together. They keep promises to multiple stakeholders. The rules for executors revolve around disciplines for getting things done and the technical expertise to get the right things done right.

Talent Managers: Leaders who optimise talent today answer the question, "who goes with us on our business journey?" Talent managers know how to identify, build, and engage talent to get results now. Talent managers identify what skills are required, draw talent to their organisations, engage them, communicate extensively, and ensure that employees

turn in their best efforts. Talent managers generate intense personal, professional, and organisational loyalty. The rules for talent managers centre around resolutions that help people develop themselves for the good of the organisation.

Human Capital Developers: Leaders who are human capital developers answer the question, "who stays and sustains the organisation for the next generation?" Talent Managers ensure shorter-term results through people while human capital developers ensure that the organisation has the longer-term competencies required for future strategic success. Just as good parents invest in helping their children succeed, human capital developers help future leaders be successful. Human capital developers throughout the organisation build a workforce plan focused on future talent, understand how to develop the future talent, and help employees see their future careers within the company. Human capital developers ensure that the organisation will outlive any single individual. Human capital developers install rules that demonstrate a pledge to building the next generation of talent.

But what was found at the heart of great leadership was what we called **personal proficiency**. Effective leaders cannot be reduced to what they know and do. Who they are as human beings has everything to do with how much they can accomplish with and through other people. Leaders are learners: from success, failure, assignments, books, classes, people, and life itself. Passionate about their beliefs and interests, they expend an enormous personal energy and attention on whatever matters to them. Effective leaders inspire loyalty and goodwill in others because they themselves act with integrity and trust. Decisive and impassioned, they are capable of bold and courageous moves. Confident in their ability to deal with situations as they arise, they can tolerate ambiguity.

According to Dave Ulrich, all the 11Cs map onto the personal proficiency dimension. He further adds, "By summarising psychological literature around personality, attitude, perceptions, and emotional

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intelligence, Professor M.S.Rao lays out the conceptual underpinnings of leaders who demonstrate personal proficiency, or soft leadership."

Soft Leadership versus Hard Leadership

Hard leadership emphasises more on tasks and less on people while the soft leadership emphasises more on people to get the tasks executed. Political leaders including George Washington, Franklin Roosevelt, Mahatma Gandhi, Martin Luther King Jr., Mikhail Gorbachev, Angela Merkel, and Aung San Sui Kyi fall in the category of soft leadership while Harry Truman, Joseph McCarthy, Charles de Gaulle, Lee Kwan Yew, and Margaret Thatcher fall in the category of hard leadership. Corporate leaders like Jeff Immelt, former CEO of General Electric, and Timothy Cook of Apple Computers fall in the bracket of soft leadership while Jack Welch and Steve Jobs fall in the category of hard leadership.

Soft Leadership and Women Leadership

"The strongest natures, when they are influenced, submit the most unreservedly; it is perhaps a sign of their strength." – *Virginia Woolf*

To excel as successful soft leaders, it is ideal to acquire 11Cs – character, charisma, conscience, conviction, courage, communication, compassion, commitment, consistency, consideration, and contribution. However, to excel as successful women leaders, it is essential to acquire six characteristics – character, conscience, courage, compassion, commitment, and contribution.

Women Leadership – Six Characteristics

Character: Warren Bennis says, "Successful leadership is not about being tough or soft, sensitive or assertive, but about a set of attributes. First and foremost is character." The collapse of companies like Enron, Lehman Brothers, and World Com reminds the world about the leaders lacking character at their core. People sometimes blame the business schools for producing such leaders without any ethical and moral values. However, we cannot blame business

schools for all the ills that happened at the business houses globally. The problem lies with the leaders who lack strong character resulting in such downfalls.

Character is one of the key components of soft leaders. It is through their strong character they lead their people by influencing and guiding them. People look at leaders who have an impeccable integrity and who walk the talk. Hence, most companies emphasise character during leadership development programs. For instance, companies like Hindustan Lever emphasises character wherein an individual puts his company's needs before his own. It has a strong human resource management system and emphasises strong ethical system and character among its employees.

As a leader you are always under the scanner. You need to set a right example through impeccable character in order to grow as a leader. People have the tendency to look at the weaknesses rather than strengths of others. Hence, it is essential to demonstrate strong character to lead from the front to influence people around you.

Martin Luther King, Jr. said, "The ultimate measure of a man is not where he stands in moments of comfort and convenience, but where he stands at times of challenge and controversy." Character is the key thing that differentiates between good leaders from others. In fact, good character makes a person a great leader. What counts at the end of the day or your life is who you are, not what you have.

Conscience: Sophocles said, "There is no witness so terrible and no accuser so powerful as conscience which dwells within us." Conscience is one of the major key components of soft leaders as clear conscience makes them stand out from other leaders. People expect leaders to be ethical and responsible. They also look up to leaders whose conscience cares for them. Conscience differentiates right from the wrong. Leaders must have clear conscience to convince themselves to enable them to persuade others. If there is a chasm between the word and the deed, conscience reminds the same. Mahatma Gandhi was always

People always want leaders with backbone. David versus Goliath is an amazing example where tiny David took on the mighty Goliath successfully. A few leaders proved globally that it is not the size but the strength counts.

clear with his conscience. He unveiled the mistakes he had made in his life in his autobiography. Every person makes mistakes but how many unveil and admit the same. In fact, it requires a lot of courage to reveal wrongdoings on their part.

Several leaders resigned because of their conscience. They left their high positions due to the call from their conscience. Hence, conscience is powerful. Leaders must convince their conscience first to convince others. Aung San Suu Kyi underwent several trials and tribulations from military rulers during the house arrest as her conscience did not allow her to leave country. Mahatma Gandhi led the Civil Disobedience movement that was a non-violent protest against British. It was an act of conscience.

Dr. Martin Luther King aptly said, "Justice is a temporary thing that must at last come to an end; but the conscience is eternal and will never die." Several problems and evils in the society are the result of people compromising with their conscience. People may cheat others, but not their conscience. Conscience is always clear, and it is powerful. People must be accountable to their conscience. People may do several wrong things for their survival or their selfish motives. Ultimately, they need to persuade their conscience that is always clear. It is a reminder for every human being. Hence, don't compromise with your conscience as compromising with conscience is equal to the death of a person morally.

Courage: Courage is an integral part of soft leadership. According to Aristotle, courage is the first virtue, because it makes all of the other virtues possible. Courage does not mean fighting physically with others. Courage doesn't mean killing people ruthlessly. Courage doesn't mean being aggressive all times. Mark Twain rightly remarked, "Courage is resistance to fear, mastery of fear - not absence of fear." Courage is about standing by your values and morals and principles and policies despite being pressurised by others and receiving threats from others. People often believe that courage as a characteristic is confined to military personnel alone. That is not true. Courage is essential for everyone. Courage is also a major key component for soft leaders because courage commands confidence from their followers.

People always want leaders with backbone. David versus Goliath is an amazing example where tiny David took on the mighty Goliath successfully. A few leaders proved globally that it is not the size but the strength counts. When we take the example of Yugoslavian leader, Marshal Tito, he broke the back of Soviet empire. President Ronald Reagan, Pope John Paul II, and Prime Minister Margaret Thatcher came together to bring down the crumbling walls of the Soviet Union, giving hundreds of millions of people the chance to enjoy freedom. The leader like Lee Kuan Yew brought Singapore from nowhere to a prosperous country despite scarcity in natural resources. All these leaders made a difference to this world through their courageous leadership. What counts at the end of life is neither the muscle power nor the money power but your willpower.

Compassion: When we look at soft leaders like Lord Jesus and Buddha, we find them being filled with compassion. They changed the face of the world with their compassion. The soft leader like Mother Teresa helped lepers and poor through her selfless service. She made an immense difference in the lives of poor and downtrodden in India. In fact, compassion is an integral characteristic of soft leadership. It helps connect with others easily. People appreciate the leaders who care for them.

Compassion means caring for others by ignoring your own interests. Compassion is not weakness. Kahlil Gibran says, "Tenderness and kindness are not signs of weakness and despair but manifestations of strength and resolution." Compassion is all about genuinely caring for your people. It is handholding them without expecting any returns.

ACQUIRE SIX CHARACTERISTICS – CHARACTER, CONSCIENCE, COURAGE, COMPASSION, COMMITMENT, AND CONTRIBUTION TO EXCEL AS A SUCCESSFUL WOMAN LEADER AND CEO.

Compassion commands great inner strength, courage, and power. Compassion is a key to ministering to people. Compassion makes a huge difference in making leaders as soft leaders. Soft leadership flows from the fountain of compassion.

The real leaders are the ones who encourage others, care for others, empathise and demonstrate compassion with others. Only such leaders have the ability to influence and maximise the potential of their people and organisations.

Commitment: Soft leaders have another great characteristic of commitment as it makes them command respect among others. It is their firm commitment toward their causes that wins acclaim from others. If you want your life to be successful, you must be committed. For instance, when you love your family, you must demonstrate your firm commitment. Commitment consumes your time, but it builds longevity in relations. As a leader, if you demonstrate your commitment, people trust you and treat you with utmost respect. It is rightly said; people don't care how big you are, they only care how committed you are. We find several families breaking due to lack of commitment. We also find teams getting crashed at the workplace due to dearth of commitment. Commitment is the bridge between the word and the deed. A firm commitment towards your word and work makes you as a successful leader.

Contribution: Stephan Girard said, "If I thought I was going to die tomorrow, I should nevertheless plant a tree today." We are what we are here today because of the amazing contributions made by several soft leaders to this mankind regardless of their areas of interest. Contribution includes precious time, money, energy, ideas, knowledge, and assistance to the society. Genuine and selfless contribution takes to true leadership. People respect the leaders who contribute their best to society without hankering for wealth, power, or prestige.

Mother Teresa once remarked, "We ourselves feel that what we are doing is just a drop in the ocean. But the ocean would be less because of that missing drop." While contributing to others it can be in small portions. People often think that the contribution must be in a big way. In fact, a small effort is better than no effort. A huge amount of small contributions makes up to a large amount of differences for society. It is rightly said, "All the whining and complaining in the world is not going to make a difference to the world. It will only drain you of your precious energy from doing things that do make a difference." Hence, contribute your best little by little consistently, and you would be amazed at the differences that you make to the society over a period of time.

To conclude, acquire six characteristics –character, conscience, courage, compassion, commitment, and contribution to excel as a successful woman leader and CEO.

Note: This article is an adapted excerpt from my upcoming book tentatively titled, "Strategies to Build Women Leaders Globally: Think Managers, Think Men; Think Leaders, Think Women."

About the Author

Professor M.S. Rao, Ph.D. is the father of "Soft Leadership" and founder of MSR Leadership Consultants, India. He is an International Leadership Guru with 38 years of experience and the author of over 45 books including the award-winning '21 Success Sutras for CEOs'.[1] Most of his work is available free of charge on his four blogs including http://professormsraovision2030.blogspot.com. He is also a dynamic, energetic, and inspirational leadership speaker.

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