

Think:Act

Leading thoughts, shaping vision



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THE CIRCUS OF TRANSFORMATION

HOW LEADERS AND THEIR TEAMS CAN KEEP THE PLATES SPINNING



Splendid isolation
What Shackleton can teach Mars explorers

One life to give
The visionary CEOs who want to change the world

Roland
Berger

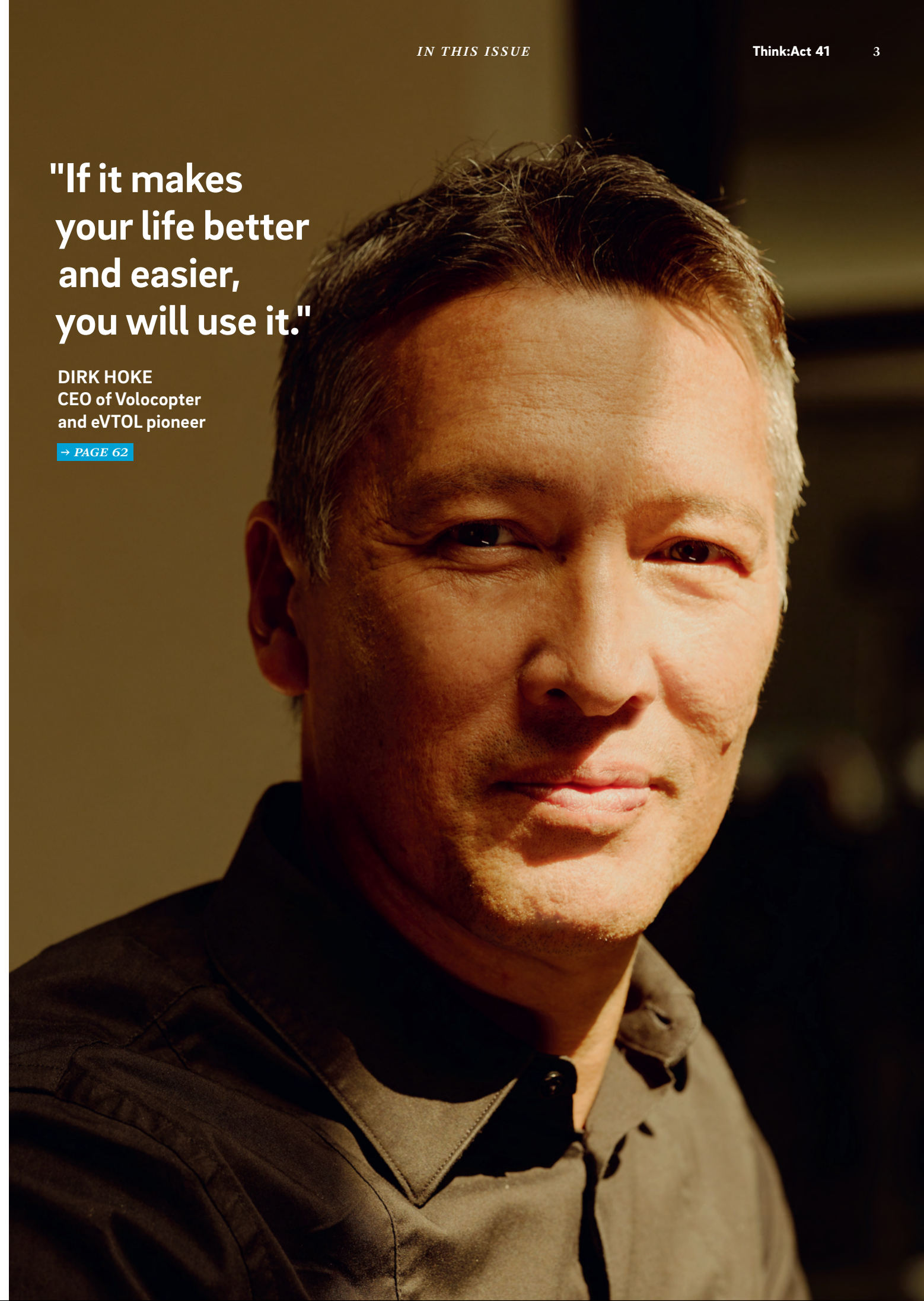




"I believe there is more risk in staying silent in the world we live in."

ROSE MARCARIO
Former CEO of Patagonia and partner at ReGen Ventures

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"If it makes your life better and easier, you will use it."

DIRK HOKE
CEO of Volocopter and eVTOL pioneer

[→ PAGE 62](#)

PHOTOS: ALANA PATERSON, KATRIN BINNER



"If we want to remain relevant five or 10 years from now, we have to always surprise our audience."

DANIEL LAMARRE
Executive chairman of the
board at Cirque du Soleil

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PHOTO: GUILLAUME SIMONEAU

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TRANSFORMATION

✿ ✿ ✿ **It's** ✿ ✿ ✿
ALWAYS
SHOWTIME

LISTEN UP, LADIES AND GENTLEMEN! Before the curtain rises, it's time for a little pep talk. Transformation is like a circus in which all the plates need to keep spinning and the leader empowers the team with the skills, resources and confidence to pull off well-practiced, awe-inspiring acts. Remember to always keep the audience in mind: Our customers are the ultimate reason for our success. And keep a wary eye on the world outside the tent – competitors and new opportunities demand constant change.

Now, let's do this!



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In focus

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"We're moving toward services as the thing that delivers the end result better than products."

— Rita Gunther McGrath, PAGE 22

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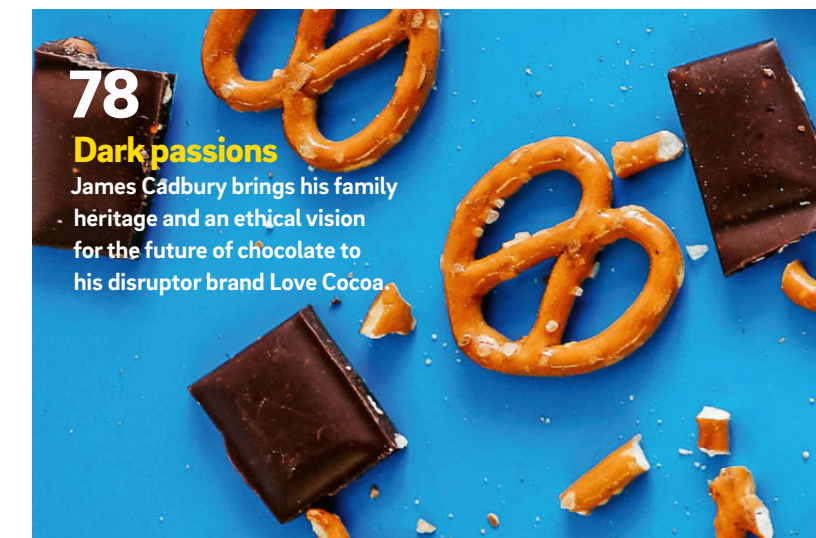
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Think, act and stay informed



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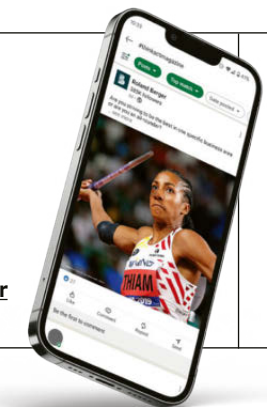
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Digital



Think:Act Ideas for Action
 The latest Ideas for Action explores the new reality that long-term workers with the relevant skills are getting harder to reach and retain. Sign up for expert solutions: rolandberger.com/subscribe-ifa

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ILLUSTRATIONS: JAZY YUAN | PHOTOS: AMY LOMBARO, TIM BOYLES, GETTY IMAGES / HINTERHAUS PRODUCTIONS + PETER PENCIL, LOVE COCOA/HP

Think in numbers

Putting a figure on ... NUCLEAR POWER IN THE EU

14% OF DEMAND

The percentage of Finland's total energy needs that are expected to be met by the Olkiluoto 3 nuclear reactor. Launched in April 2023, it is both Europe's first new reactor in 16 years and its largest.

0 REACTORS

The number of nuclear power plants in Germany as of April 15, 2023, when its last three reactors were shut down permanently.

69% OF ENERGY

The share of France's total energy supply derived from nuclear sources, the highest proportion in the world.

11 COUNTRIES

The number of EU member states that have called for strengthening cooperation in the field of nuclear energy as a tool to achieve climate goals.

SOURCES: REUTERS, GERMAN FEDERAL OFFICE FOR THE SAFETY OF NUCLEAR WASTE MANAGEMENT, FRANCE24, LE MONDE, WORLD NUCLEAR NEWS

PHOTOS: GETTY IMAGES / EUGENE MYMRIN, CHRISTOPHE SENEHI | ILLUSTRATION: JULIA ZIMMERMANN

Food for thought

Are large, established companies ready, willing and able to adopt new AI tools?

by Amit Joshi

WHILE LEGACY COMPANIES often have the willingness to adopt AI tools, they often lack the readiness (infrastructure) and ability (skill sets, business models). Most non-tech companies are in the process of creating islands of experimentation which create limited, localized value. However, these islands typically are only suitable for low-hanging fruit – and often lead to reinventing the wheel in different parts of the organization. Some organizations have matured into the next phase of AI adoption: the creation of a center of excellence. Such centers are usually centrally funded, and create a unified team to tackle more complex, long-term AI projects. At this stage, organizations see strategic value accruing from their AI tools. However, in all stages of maturity, legacy companies need to ensure that the AI tools created are being used to address real problems the company is facing and are not simply vanity projects.



AMIT JOSHI is professor of AI, analytics and marketing strategy at the International Institute for Management Development (IMD) in Lausanne, Switzerland. He specializes in helping organizations develop big data, analytics and AI capabilities.

Think:

AT A GLANCE

Thoughts to live by

"We tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run."

— Roy Amara

late president of the Institute for the Future, credited with what has become "Amara's Law"

Re-thinking buzzwords

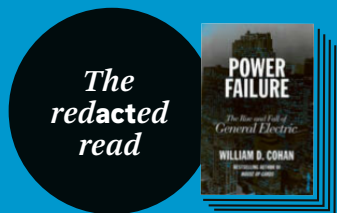
Get to grips with new industry lingo in a flash with our stripped-down explanations of the latest jargon.



Hush trips

The ongoing tug of war over returning to the office vs. remote or hybrid work has given rise to a new type of travel. Hush trips are an expanding gray zone, defined by employees not telling companies about a getaway while still working, raising potentially thorny issues for the HR department and around taxation.

Act



How an iconic corporation got its wires crossed

William D. Cohan, author of Money and Power: How Goldman Sachs Came to Rule the World, takes on the epic rise and fall of General Electric, once one of the world's most successful companies.

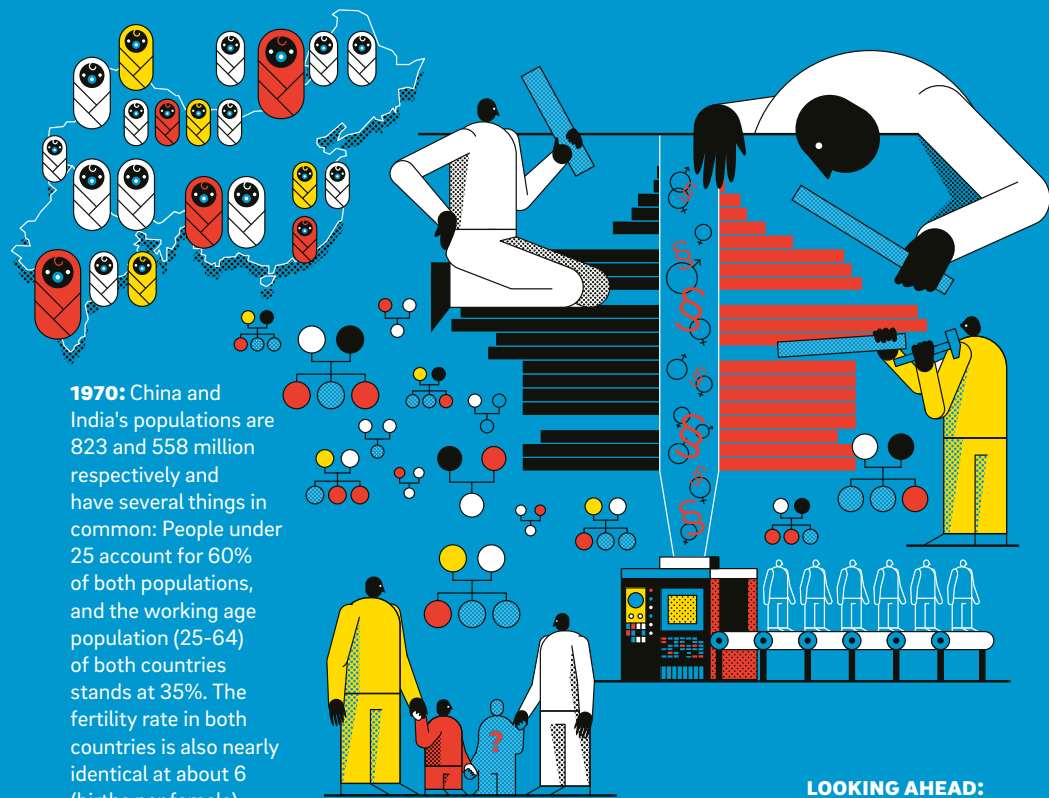
WHEN JACK WELCH took charge of General Electric in 1981, GE was one of the most admired companies in the US. By the time he retired in 2001, Welch had pumped the company's value from \$12 billion to \$410 billion and was regarded as one of the greatest business leaders of all time. Yet by 2022, GE's market cap had slumped to \$90 billion and company directors decided to spin the company off into four separate firms. What went wrong?

Welch made two crucial mistakes: first, overexpanding the company's lending arm without hedging its financial risks and, second, using those profits to manage GE's earnings in a way that obscured actual performance. Later, his successor, Jeffrey Immelt, compounded these errors: He spent too much money acquiring companies he had spent too little time trying to understand, failed to recognize after the Enron and Tyco scandals that investors and regulators would require more financial transparency and took too little interest in GE's operations.

Power Failure: The Rise and Fall of General Electric by William D. Cohan. 816 pages. Allen Lane. 2022. \$40.

IN APRIL 2023, the UN reported that India's population had surpassed that of China. But while each country is now home to an estimated 1.4 billion people, the disparity between India and China's median age (currently 28.2 and 39, respectively) is one factor drawing renewed

attention to the impact fertility rates can have on the potential for economic growth. Here's how differing population policies gave rise to a demographic shift in the world's two most populous countries – and how that could soon resonate through the global economy.



1970: China and India's populations are 823 and 558 million respectively and have several things in common: People under 25 account for 60% of both populations, and the working age population (25-64) of both countries stands at 35%. The fertility rate in both countries is also nearly identical at about 6 (births per female).

1971-1980: Concerned about rapid growth, China brought in the "later, longer and fewer" policy, followed by the one-child policy in 1979, which combined dropped its fertility rate to 2.74 by 1980. In India, however, coercive measures lasted only about six months in 1976-77. By 1980, India's fertility rate was 4.78.

2020: China's 2020 census shows its population had grown at an average annual rate of 0.53% in the last decade, with 18.7% of its population now over 60. India's population over 60 is estimated closer to 10%, a more stable figure resulting from gradual fertility rate reduction.

2021: Facing an aging population, China lifts the last of its child restrictions and offers tax deductions and subsidies to encourage larger families, but its fertility rate reaches an all-time low of 1.16. India's fertility rate, by contrast, is 2.03, just below the "replacement rate" of 2.1.

LOOKING AHEAD: China's advancing age has sparked concern that a declining labor force will affect supply chains and drive further inflation. Chinese companies such as Oppo, Vivo and SAIC have already moved factories out of the country – some to India, where 52% of the population is currently under 30 and the economy was projected to grow around 6% in 2023.

SOURCES: THE UNITED NATIONS, REUTERS, THE ECONOMIST, THE NEW YORK TIMES, THE INDIAN EXPRESS, UNIVERSIDAD DE NAVARRA, FORTUNE, SOUTH CHINA MORNING POST, THE WASHINGTON POST

Chain Reaction

Best practice

How to write better prompts for AI chatbots

COMPOSING MORE effective queries is the secret to getting the most out of generative AI tools like ChatGPT. Here's how to write better prompts: write as if you were asking a person.

Give the AI background and context, including your goal, level of experience and the business context.

For instance: "I'm a marketing manager who has just started her job at a cloud-based enterprise software company. Give me five ideas how to reduce customer churn." State a time frame and specify the format of the desired output, for example bullets, number of steps or word count. Tell the AI to assume a specific identity or role to get different perspectives on the same question or problem: "Assume you are my assistant who must prepare a presentation for the board."

Ask for sources or supporting evidence, but don't mistake those for proven facts. If needed, ask for a fresh answer.

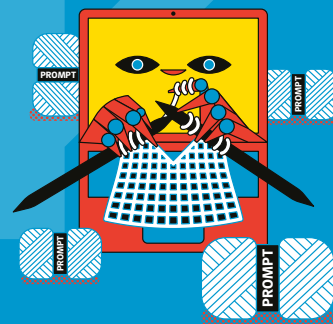


PHOTO: GETTY IMAGES/WIPA POOL | ILLUSTRATIONS: JULIA ZIMMERMANN

Economic impact

Calculating the cost of the coronation

DOUBLE-DIGIT INFLATION, falling living standards and millions struggling: In an April 2023 poll, just 31% of UK citizens supported their taxes footing a royal share of King Charles' estimated \$125 million coronation costs. And with the UK Office for National Statistics unable to report any noticeable economic uptick following recent royal weddings and jubilees, many are wondering if those who see such events as a boon to the economy are simply building castles in the air. Even amid projections that the hospitality sector alone could expect a boost of \$430 million over the coronation weekend, over half of Britons said the cost-of-living crisis would impact their own participation in the \$1.6 billion extra spending that was expected to take place over the three-day weekend. Yet after factoring in a loss of \$1 billion due to the additional bank holiday's reduction to GDP, London-based Brand Finance reported a net positive nonrecurring contribution of \$970 million to the UK economy as a result of the coronation – as well as a recurring annual financial benefit of around \$3.80 per UK citizen due to the royal family and their role in the UK's \$167 billion annual tourism industry. So, with an average pint of beer in a UK pub costing \$5, perhaps Britons could say the royals paid for 75% of a single pint they may have raised to ring in King Charles' reign.

SOURCES: BBC, THE GUARDIAN, THE FINANCIAL TIMES, BRAND FINANCE, YOUNG & RUBICAM, VISIT BRITAIN, AP, REUTERS

Act

AT A GLANCE

In focus



In this issue we look at transformation and how business can ready itself to meet change head-on.



THE ULTIMATE JUGGLING ACT

Step in and get ready for the show!

ORGANIZATIONAL TRANSFORMATION is a delicate balancing act that requires a visionary leader in service of a skilled, dedicated team, working together to entice and enthrall customers with relevant products and services. And reinvention never stops as success demands that companies must always prepare *the next daring act*.

WORDS BY
MICHAL LEV-RAM

ILLUSTRATIONS BY
JAZZY YUAN

TRANSFORMATION

THE CIRCUS of TRANSFORMATION

How do you put on a mesmerizing show and come up with one stunning act after another? You need vision and skills, grit and collaboration – plus innovation.

THE DIRECTOR

A CHANGE AGENT WHO STEERS TRANSFORMATION It takes vision and purpose to bring your team and your audience along. Good leaders work on themselves first before serving and guiding others to make each act shine. It's a must to be authentic and a good communicator when the curtain rises.

THE TEAM

ANY ORGANIZATION SUCCEEDS BECAUSE OF ITS PEOPLE In the spotlight or behind the scenes, teamwork, versatility and skills are key. A flawless delivery means always being ready to update one's capabilities, keeping an open mind to improvise while dreaming up new attractions.

BEYOND THE TENT

THERE'S A WHOLE WORLD OF OPPORTUNITIES AND COMPETITORS OUT THERE Accelerating change and the need for transformation affect everyone. Excellent performers know that they need to look beyond their own tent poles to find inspiration, new ideas and talented team members to shape the future.

THE AUDIENCE

LOYAL CUSTOMERS EXPECT THRILLING PERFORMANCES, OR THEY WON'T BE BACK There is no guarantee for applause – nor for happy customers. Besides expecting a captivating show today, audiences demand constant reimagining to remain loyal tomorrow.



ACT I

SETTING THE STAGE



TRANSFORMATION

IN 2015, A GROUP OF INVESTORS led by private equity firm TPG bought Cirque du Soleil, the famed Canadian live entertainment group. It was an unlikely acquisition – why would a PE firm want to own a circus? – that fomented all sorts of internal turmoil and forced the brand to grapple with a new identity: Cirque du Soleil had long been known for its imaginative culture. Now it was part of an industry notorious for cost-cutting, not creativity.

The company's roots reach back into the 1970s when two street performers named Guy Laliberté and Gilles Ste-Croix, a.k.a. "The Stilt Walkers," began touring around Quebec. By 1984, they had incorporated Cirque du Soleil, hiring other performers to round out their troupe and taking on a theatrical, character-driven approach to circus shows in lieu of tigers and bears and the usual big tent fare. Cirque du Soleil started out small but soon grew into an international brand known for colorful costumes, elaborate sets and uber-talented performers ranging from contortionists to synchronized swimmers.

To this day, the company is reportedly the largest employer of former Olympic athletes. At the same time, it has developed quite a



reputation for constantly reinventing itself with a growing number of traveling shows, each one pushing the envelope of what the mind – and body – can do.

FOLLOWING THE ACQUISITION BY TPG, though, Cirque du Soleil had to stretch itself in a new, much more uncomfortable way. Laliberté, the company's co-founder who had long served the role of its creative leader, stepped down. (Cirque du Soleil's other founder, Ste-Croix, had walked away from an operational role years before.) And in his place were a handful of new executives, most of whom were more comfortable with spreadsheets than with stilts. "Artists by definition are very sensitive people and they see the world differently," says Daniel Lamarre, who served as Cirque du Soleil's CEO from 2001 to 2021. "You have to make sure that they are surrounded with as few administrative things as possible and can focus 100% on delivering artistic content."

But under its new ownership, letting the creatives do their thing became more of a challenge. There were pressures to become more efficient, sometimes at the cost of artistry, and there was a push to extend the

“**FOR US, THERE IS NO STAR. THE SHOW IS THE STAR AND THE RESULT OF A COLLECTIVE EFFORT.**”

— **DANIEL LAMARRE**
EXECUTIVE VICE CHAIRMAN OF
THE BOARD, CIRQUE DU SOLEIL

“**IT'S VERY TOUGH TO REPLICATE WHAT WE DO. JUST THINK OF THE LOGISTICS OF TOURING AROUND THE WORLD.**”

— **DANIEL LAMARRE**
EXECUTIVE VICE CHAIRMAN OF
THE BOARD, CIRQUE DU SOLEIL

brand into arenas and partnerships that its performers and producers weren't always on board with. In short: The suddenly rapid pace of change at a company that had always prized creativity over business process made innovation hard, to say the least.

This delicate balancing act illustrates just how tough organizational transformation can be. It's also what makes Cirque du Soleil such a perfect case study for corporations undergoing change – the trade-offs between old and new, creative and analytical. There's another reason that Cirque du Soleil is a perfect metaphor for transformation, however, and that's because it is a circus.

At its core, Cirque du Soleil's product – and that's whether owned by its founder or a private equity firm – is a show that requires not only ceaseless reinvention, but also an effective circus director as well as a nimble group of performers who will keep the audience coming back for more. Behind the scenes, there's grueling practice and preparation of acts that require constant communication and alignment among all involved. (Just imagine what would happen if a pair of trapeze artists weren't in sync.) The entire ensemble must

\$375 MILLION

The additional amount invested in Cirque du Soleil by its creditors after they absorbed the company in 2020.

SOURCE: REUTERS

prioritize adaptability, agility, collaboration and, at times, improvisational skills. Success means always readying the next act, always stretching yourself to new heights and never accepting the status quo. And yet, all of this hard work has to fly under the audience's radar. They can't see the ropes or the security net. They just need to come along for the ride, to buy into the magic. It all has to look effortless and seamless. Even when it's not.

TRANSFORMATION DOESN'T ALWAYS WORK. At least not in the way we expect it to. Sometimes, it's a matter of execution; other times it's a matter of timing. In early 2020, as the Covid-19 pandemic spread throughout the world, Cirque du Soleil was hit hard and fast. The circus had to shut down all of its shows, all at once. The company laid off 95% of its employees and eventually filed for bankruptcy protection. But out of the ashes a new, leaner Cirque du Soleil emerged, acquired by its creditors, who absorbed all debt and invested an additional \$375 million. The company had survived its near-death experience. The big tent opened again, even if TPG was no longer its owner, and slowly rebuilt both its shows and its reputation.

Buying a circus doesn't always make for a happy ending, but the circus itself provides us with loads of lessons for how organizations can effectively – and ineffectively – transform themselves. There's not just one ingredient, but many. There's effective leadership, communication, flexibility, agility and, of course, timing. There's also a requirement to let the creatives – the artists, the innovators – do their thing and focus 100% on delivering their craft, as unencumbered by the business side's demands as possible. All of these elements matter greatly when you're putting on a show. They also matter when running a business in today's fast-changing world. Because when the curtain is drawn, or the product launched, the audience expects perfection. Anything less, and they'll go see another show. ➔➔



FULL INTERVIEW
Read a no-holds barred interview with Daniel Lamarre: rolandberger.com/en/lamarre

TRANSFORMATION

ACT II

THE CIRCUS LEADER



JUGGLING ACTS ARE NOT JUST FOR THE CIRCUS. The corporate world provides many lessons for how to balance through tricky transformations. Here's a hint: It starts at the top.

In mid-July 2023, the Walt Disney Company's board decided to extend Bob Iger's contract through the end of 2026. The two-year extension for the so-called "boomerang CEO" meant that Iger, who had also served at the helm of the 100-year-old entertainment giant from 2005 to 2020, would see Disney through yet another multiyear transformation. This time, the stakes would be even higher: The Mouse House was dealing with losses from its streaming service, declining advertising revenue and a lackluster string of movie launches. It had also entered the so-called "culture wars" following a feud with Florida Governor and American presidential hopeful Ron DeSantis after speaking out against a controversial bill that addresses gender issues in the classroom. In short, Disney was in need of a real-life hero to flip the narrative – and the business – around.

To be sure, Iger's return to the top of Disney wasn't without critics. Some argued he had failed in one key area: appointing a viable successor. And it's still too early to tell whether or not he can right the ship. But the CEO has done it before. During his first stint as the head of the conglomerate, he

\$5.5 BILLION

The total costs Disney will save as part of a restructuring announced in 2023, including cutting 7,000 jobs that represent an estimated 3.6% of Disney's global workforce.

SOURCE: REUTERS



had breathed new life into its then-flailing film studios with the visionary acquisitions of creative powerhouses like Pixar, Marvel and Lucasfilm. He had also doubled down on technology, looking to new distribution models to help Disney reach consumers across new screens, forging a partnership with Apple and making its shows available on the iTunes store long before most other networks and studios did. It helped that Iger served on Apple's board, and former Apple CEO, the late Steve Jobs, was on Disney's board of directors.

There was also Iger's leadership style – the way he communicated, both internally and externally. This was key. It's telling that throughout his first stint as CEO, one of Iger's most trusted advisers was his communications head, Zenia Mucha, who was known for having a voice in major corporate decisions and for protecting both Iger and Disney's reputation fiercely. It wasn't just what Iger did, but how he explained it. With the help of Mucha, he chose his words thoughtfully, whether hyping the latest lineup of *Star Wars* movies or consoling a family that lost their toddler to an alligator attack at Walt Disney World. It wasn't that Iger never made a wrong call. But mistakes were rare and he seemed to perfect the balancing act that makes so many other CEOs topple: exuding an air of resoluteness untainted by rigidity, an aura of compassion that conveyed strength, not softness, and importantly, ushering Disney into the modern era without erasing its past.

FOR ALL OF THESE REASONS, Iger's return to the top job at Disney was overwhelmingly lauded and his contract extension even more so. In a report that came out shortly after the news was announced, Doug Creutz, an analyst from TD Cowen, called Iger "the indispensable man," even as he outlined the "structural" challenges at the company which are "not easily solved."

What happens next? Iger has already cleaned house, laying off a whopping 7,000 employees, announcing cost cuts totaling \$5.5 billion and, notably, restructuring the company in an effort to return more control to creative teams. Creative leaders are now accountable for how their content performs financially and have a say over what content is made, how it's distributed, monetized and marketed. Iger had reportedly said that Disney was "losing its soul" during his predecessor's brief tenure. Now, the CEO has two more years to get it back – and transform the company once again.



ACT III

SEND IN THE CLOWNS



THE ART AND SCIENCE of corporate transformation has been studied by academics for decades now. In his pivotal 1997 book *The Innovator's Dilemma*, the late Harvard Business School professor Clayton Christensen advised large companies to maintain small, nimble teams that could embrace "disruptive technologies." Shortly after, "design thinking," an iterative product development process that challenges assumptions about what consumers want and need, began making waves in corporate circles, with companies from consumer-packaged goods to health care experimenting with the methodology.

One of design thinking's biggest proponents, David Kelley, helped design Apple Computer's first mouse. His consulting firm, IDEO, was enlisted by large companies across different industries as they attempted to rethink both their products and processes – and not get left behind by an increasing number of fast-moving tech companies. Kelley, who also co-founded the Hasso Plattner Institute of Design at Stanford University (commonly

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known as the d. school), liked to tell his students that "enlightened trial and error succeeds over the planning of flawed intellects."

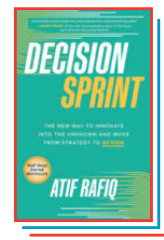
Enlightened trial and error necessitates hiring people who are comfortable with failure, yet this wasn't a core part of the talent base at most large corporations. Neither were employees who push the status quo. "Ideas are the lifeblood of a high-growth company," says Atif Rafiq, the first chief digital officer in the history of the Fortune 500. Rafiq rose through the ranks at digital native companies like Amazon, Yahoo! and AOL. His first non-tech role was at McDonald's, where as the chief digital officer he was tasked with rethinking how the fast food giant engages with customers and employees, utilizing technology in ways it hadn't explored. "McDonald's is a company that's been around for a long time and has been very successful," says Rafiq. "Sometimes they looked at new ideas as a defect – if it doesn't work out, it could end up breaking something that does work."

Indeed, McDonald's had long prided itself on near-flawless execution. From its supply chain to its customer service, the company had it down. There was little deviation from the established processes. And where there was alteration, it usually meant there were mistakes.

IN ORDER TO GET THE COMPANY more comfortable with change (and even with the occasional error), Rafiq hired hundreds of new employees. Many of those came from the tech industry, where the product development process has been likened to throwing spaghetti on the wall and seeing what sticks. "I was trying to help these companies act like Amazon, to create a culture that is comfortable with innovation," says Rafiq.

Bringing in new blood, however, didn't mean embolizing old arteries. Rafiq says that while the companies he's worked for – not just McDonald's but also Volvo, MGM and others – wanted him to usher them into the digital era, he had to approach that process with respect for what came before. "I had to position what my team was doing in familiar terms," says Rafiq. "Instead of digitization, I talked about convenience."

When Rafiq joined McDonald's, for example, he says there were three main ways the company sold hamburgers and fries and other products to its customers: going through the drive-through, getting in line and sitting down to eat or buying a bag of food and taking it home. Rafiq got buy-in to



Decision Sprint:
The New Way
to Innovate into
the Unknown
and Move from
Strategy to Action

by Atif Rafiq,
368 pages.
McGraw Hill,
2023. \$28.

create additional models for serving customers not by espousing the whiz-bang merits of a technology-first approach, but by making a case for customers. Ordering through an app was convenient, not just cutting-edge. "You have to create a desire or hunger for the upside of new ideas," says Rafiq, who has also recently published a book called *Decision Sprint: The New Way to Innovate into the Unknown and Move from Strategy to Action*.

OVER THE YEARS, the longtime tech executive has hired and led thousands of employees across new, innovative departments at non-tech companies, starting with McDonald's. But Rafiq says getting buy-in from existing employees was just as important and key to success. "You have to connect the dots between the new technologies and innovations and the heritage of these companies, and that's hard," says the executive-turned-author. This kind of transformation might prove to be difficult,



“**SOMETIMES THEY LOOKED AT NEW IDEAS AS A DEFECT - IF IT DOESN'T WORK OUT, IT COULD END UP BREAKING SOMETHING THAT DOES WORK.**”

— **ATIF RAFIQ**
FIRST CHIEF DIGITAL OFFICER
IN THE HISTORY OF THE FORTUNE 500

especially for companies with legacy businesses, but it's also increasingly necessary. Technologies like generative AI are evolving at a faster-than-ever pace, and corporations across every industry are scrambling to adopt these in an impactful way. This is no longer a nice-to-have: It's a must-have. And in an age of economic uncertainty, this work needs to be strategic and thoughtful. Nowadays, throwing spaghetti at the wall doesn't even work for Google.

The new path to innovation requires bold risks, yes. But not at any cost. "We're now in a situation where every company is facing two pressures: Shareholder value is all about 'new' things, and the other thing we're facing is austerity," says Rafiq. "The innovation work of companies needs to be purposeful." And that's not just the case for the incumbents like McDonald's. Newer tech players are also having to be more thoughtful about how they innovate, even as they find themselves pushed to move faster than ever.

DISRUPTION 2.0: CHANGE YET AGAIN

How a pivot-prone tech startup like Airbnb found a response to sudden and fundamental shifts in its business model

At the onset of the pandemic, vacation rental site Airbnb was on the brink of disaster. Within eight weeks, the company's business had dropped 80%, as travelers everywhere canceled trips. Under CEO Brian Chesky's leadership, Airbnb pivoted, and fast.

Suddenly more than half of Airbnb's bookings were within driving distance of where renters lived. In response, the company adjusted its recommendation engine to populate searches with more local

stays. It also highlighted features that people who were newly working from home – or from their rental – cared about, like dependable Wi-Fi.

It wasn't necessary for Airbnb to invest in new, cutting-edge tech tools to transform its business, though data and AI certainly played a role in rejiggering its algorithms. Rather, its CEO and its people had to know to ask the right questions, listen to the answers and, of course, act quickly to respond.

ACT IV

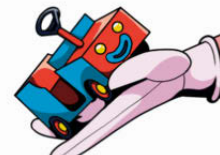
BRINGING * THE * AUDIENCE ALONG



PERFORMERS KNOW RIGHT AWAY whether or not their material is landing. Increasingly, feedback from customers is coming at corporations just as rapidly – in real time. And pleasing these customers is harder than ever. Not only do they want superior products, they also want products with purpose. Products they can trust and believe in. But how do brands transform themselves into makers of goods that, well, make people feel good?

The answer starts with clarity and authenticity, a leader who's willing to put in the work of figuring out what is and isn't core to the particular values of a particular company. Another key ingredient is transparency, both with employees and customers. And that includes coming clean when mistakes are made. Without transparency, it's hard to earn the buy-in of both internal and external stakeholders – especially when trying to bring about change.

Look at General Motors, which has been under the leadership of CEO Mary Barra since 2014. The first female CEO of a major American automaker, Barra spent her career at GM and was elevated to the top job at a particularly tough time for the company: A faulty ignition switch was linked to



\$11 BILLION

The annual capital expenditures GM is planning through 2025 to put in place the manufacturing infrastructure to build 1 million EVs annually in North America.

SOURCE: FORBES

over 100 deaths and many more injuries. The CEO not only had to recall millions of vehicles and pay a \$900 million fine to the US Justice Department as part of a settlement agreement, she also had to be transparent with customers and employees, tackling a culture which she knew had helped brush the product defect under the rug – a culture she herself had been a part of. "I never want to put this behind us," she told employees during a town hall that took place shortly after GM settled with the US government. "I want to put this painful experience permanently in our collective memories."

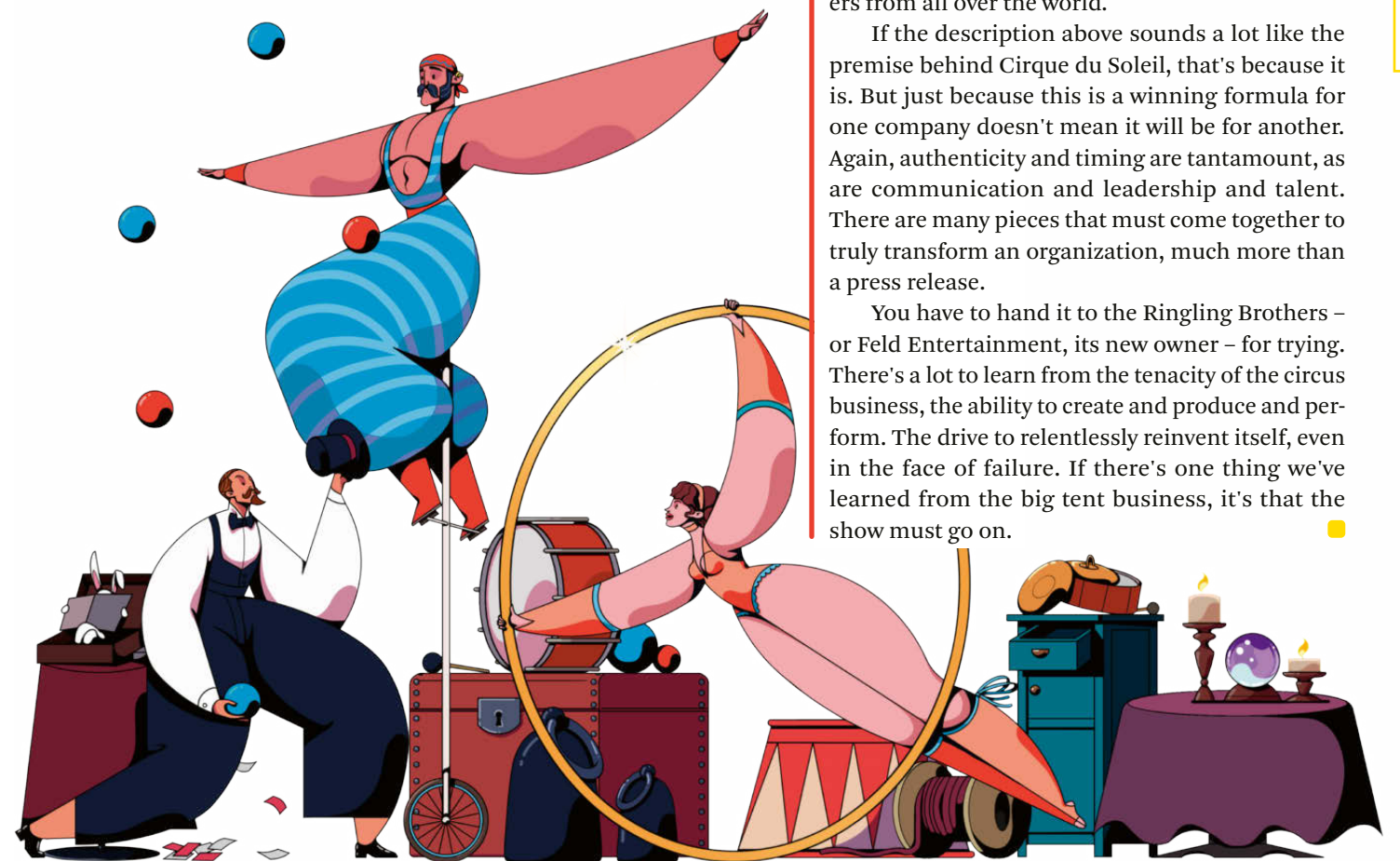
Barra apologized publicly multiple times, set up a compensation fund for the families of victims and fired those she felt were directly responsible for the tragedy, executives who had known about the faulty car part but kept it secret. Through it all, she prioritized "candor, cooperation, transparency and compassion" and normalized accountability. She answered questions about the tragedy often and openly, whether in front of Congress or the press or her own employees, customers and investors.

GENERAL MOTORS EMERGED from its ignition switch crisis with a culture that valued clearer communication, even when relaying bad news. And soon enough, a new era was upon the auto industry, one that required a different sort of transformation and that would test Barra's mettle again. Only this time, she'd proven her ability to set goals, communicate them clearly and live up to her words.

In 2021, Barra made the announcement that GM would exclusively sell electric vehicles by 2035. For a company that had been around since 1908, this was a monumental shift from the long-held norm. And because Barra had built a reputation of transparency, with few exceptions her ambitious goals were lauded. Going electric wasn't just good for the environment, it was good for business, she argued. The CEO, who had also invested in autonomous vehicle technology, told investors that this new strategy would help the carmaker double its revenue by the end of the decade, all while expanding its margins. But her pitch to GM's other stakeholders was even more ambitious. "Our role at General Motors is not just to direct our own company's transformation," she said in a release announcing the new goals. "It is to lead and influence others. To set the standards that others will follow. To take everybody on the journey to a safer, more equitable, all-electric future. We've changed the world before and we're doing it again."

ACT V

LINING UP * THE * NEXT ACT



NOT ALL COMPANIES ARE CAPABLE of transformation. For every General Motors, there is probably a Nokia or a Kodak — brands that once reigned supreme, only to wither into the background. Even circuses can fall prey to stagnation and irrelevance, either because of poor timing or unenlightened leadership, failing to respond to changing customer tastes, a lack of communicating clear strategy to internal and external stakeholders, or all of the above.

In 2017, The Ringling Brothers and Barnum & Bailey circus came to a halt after 146 years on the road following declining ticket sales that were at least partly due to growing concern over the treatment of circus animals. But "The Greatest Show on Earth," as it calls itself, will soon be back, sans animals, in an attempt to revive its brand under new ownership – with an evolved mission: "The Greatest Show On Earth will debut stunning feats of real human achievement, musical performances blended with aerial artistry, modern comedy and never-before-seen acts on high wire, trapeze, bicycles and more," said the company in a March 2023 press release. "The reimaged American icon will captivate families through a multiplatform, 360-degree experience that brings fans into the action, creating real connections between audiences and performers from all over the world."

If the description above sounds a lot like the premise behind Cirque du Soleil, that's because it is. But just because this is a winning formula for one company doesn't mean it will be for another. Again, authenticity and timing are tantamount, as are communication and leadership and talent. There are many pieces that must come together to truly transform an organization, much more than a press release.

You have to hand it to the Ringling Brothers – or Feld Entertainment, its new owner – for trying. There's a lot to learn from the tenacity of the circus business, the ability to create and produce and perform. The drive to relentlessly reinvent itself, even in the face of failure. If there's one thing we've learned from the big tent business, it's that the show must go on.

Rita Gunther McGRATH

THE WOMAN

who can look

AROUND CORNERS



WORDS BY

NEELIMA MAHAJAN



PHOTOS BY

AMY LOMBARD



EYES OPEN
Rita Gunther McGrath believes seeing into the future isn't an act of magic, but rather observation.

TRANSFORMATION

TIMING CAN BE EVERYTHING. Good leaders, strategy expert Rita Gunther McGrath argues, know when to mentally remove themselves from the fray and be on the lookout for any larger patterns that may be forming around them. Taking the space to gain this kind of perspective is crucial to being ready to make a transformative move. It can also determine who might emerge as the winner in a crisis.



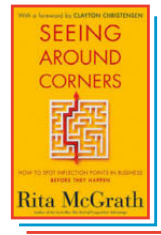
EXECUTIVES SEEK OUT Rita Gunther McGrath for her ability to "see around corners" and take the fright factor out of innovating in uncertain times. In this conversation conducted at the Global Peter Drucker Forum, the Columbia Business School professor and bestselling author expands on how to identify and capitalize on inflection points – those harbingers of change to the ways we work and live. Three years after the pandemic struck, the key advice from her 2019 book *Seeing Around Corners* applies more than ever: step back and notice subtle changes before taking charge.

If you were to write *Seeing Around Corners* today, is there something you would emphasize more now?

I would put more emphasis on the need to slow down to speed up, to get different perspectives on what's going on. Daniel Kahneman talks about this: We have these fast ways of thinking where we accept judgments – we want to make announcements and get out there. I think a lot of people who did that in the pandemic came to regret it. They said too many definitive things too early, without taking that bit of extra time to see what's really happening.

Did we really have the luxury to slow down?

It depends on where you were. Obviously, if you had people in physical danger – if you needed to completely retool a factory or you needed to get essential supplies to people – you didn't have a lot



Seeing Around Corners
by Rita Gunther McGrath, 259 pages. Houghton Mifflin Harcourt, 2019. \$26.



of time. But I'm not talking about days. There's a wonderful analogy that talks about the balcony on the dance floor. Leaders can go up to the balcony, look at the patterns and sort of mentally remove themselves from the fray, if only for a few minutes, before going back and engaging. So, what is this "slowing down"? Do not be paralyzed. Take those extra few beats to just say: "Am I really understanding what's going on? Do I really see the patterns?"

What did you make of the Covid-19 inflection point from an organizational perspective?

It caused a lot of assumptions to be challenged: That remote work couldn't be nearly as good, that you couldn't integrate work with other aspects of your life. Some of the unpleasant discoveries were how much we counted on schools and day care facilities, or how much we assumed global supply chains would just keep humming along. One of the enduring impressions I have is we are becoming a lot more aware of how fragile some of these things we've taken for granted are. Christopher Mims, a technology columnist at *The Wall Street Journal*, talked to me about how this dongle is manufactured

and how it gets to a doorstep in Connecticut – all that stuff happening in the background we never gave two thoughts to. Now suddenly, we're learning about the mysteries of cross docking, why ports work and what robotics mean. It's a completely different level of granularity.

Aside from Covid-19, we've seen trade wars, supply chain issues, geopolitical events and even a war. Has the number of strategic inflection points shot up recently or are we just feeling overwhelmed?

Part of it is because when we look at the past, we know how it worked out and whether we're pleased with how it worked out – there's certainty about what happened. Yet, if you were living in World War I or II, the level of uncertainty was massive. When you don't know what is going to happen, it feels risky and scary. Take the Great Recession of 2008, for example. People were talking about the worldwide collapse of the financial system. Now we know these things were put into place. When I look at today's crises, it feels the same: a sense of urgency, a sense of being really frightened. But qualitatively, I think anything you're living through just doesn't

WAIT AND WATCH McGrath argues that slowing down and taking the time to see what is going on around you is critical for understanding inflection points.

have that piece: knowing how it's going to work out. So, it seems emotionally harder than it is.

What has the pandemic done to the competitive advantages of companies?

During the pandemic, there were winners and there were losers. Companies like Clorox, Peloton and Amazon all responded to the increased demand by ramping up. Yet, if you look at historical situations, you know that demand isn't going to last once the pressing immediate conditions pass – you have to ramp up in a smart way. A lot of companies are now finding that demand is eroding. Consequently, they are not going to retool. Amazon is a case in point: They overextended and now they're going to have management-level layoffs, which is unusual.

I do think doing what gives you an advantage has changed. We are looking more for solutions; we are looking for ecosystem-based delivery of goods and services. This has been going on for a while, but we're moving toward services as the thing that delivers the end result better than products – and, even today, products are embedded. You don't buy a hammer without looking up what other people think of it. Every product is digital and connected in some of these interaction fields. I think that has changed the nature of companies.

Do recent events hold implications for business model life cycles and how companies should think about them? It feels like there has been a sudden acceleration in the pace of business.

I think that's true – look at the speed of technology adoption. Look at TikTok: They're eating Facebook's lunch. They've grown to a billion users in a breathtakingly short time and you see these abilities to exponentially scale up. What you are also seeing is the unraveling of some traditional sources of competitive advantage. Entry barriers have come down. The things that used to make it difficult for people to copy have gone away.

We're also rediscovering something we never should have forgotten: Strategy 101. Look at all those direct-to-consumer businesses that started to spring up about 2010-2011: Dollar Shave Club, Warby Parker or Harry's. What they learned was yes, they're easy businesses to start, but they are really easy to copy. Take Casper, the mattress-in-the-box company. By the time they tried to do an IPO, there were 206 mattress-in-the-box companies. Strategy 101 still matters: You still need a competitiveness solution. You still need your firm →



“

**IF YOU HAVEN'T
INVESTED THE TIME
TO SEE THE BASE
CONDITIONS, IT'S HARD
TO INTERPRET THINGS.**

— **RITA
GUNTHER
MCGRATH**

to be behind this thing you are doing, and you still need a set of customers to appreciate that and be willing to pay for it. That's a challenge.

Do you think we are hitting a kind of reset button where our assumptions about industries, business models, consumers and markets are changing?

I wouldn't say all our assumptions are changing. Jeff Bezos very famously says that he likes to pin his businesses around what will change. I can't imagine a conversation in ten years where people say: "Jeff, I love Amazon. I just wish you'd deliver more slowly and charge me more." Some things do not change. I think the way I would frame that is: It's the job to be done. Those things are relatively simple. Now, how we do these things changes dramatically. Take smoke signals, the Pony Express, the telegraph, the telegram, landline telephones, primitive mobile phones, communicators, smartphones – all those things dealt with a human need to communicate across time and distance. But the way that we were allowed to do it changes. Technology challenges the assumptions about how your business can operate.

Who is better poised to deal with such inflection points – big organizations or startups?

I've seen rigid startups. And I've seen flexible big organizations. I don't think it's a function of size;

READY TO MOVE

Once you have understood the patterns at play, McGrath argues, you will be in an informed position to make a transformation.

it's a function of leadership. The companies that deal with inflection points the best have these pots of slack resources and people are allowed to tinker. If manager A says "no," I can go to manager B. I can get a grant from a pot of money. 3M would be a case in point of a traditional organization that has interesting ways of doing this. Its position is: "We never know where a really good idea is going to come from." When a crisis hits, they have inventories of ideas and things people have been working on for a while. They don't go to a bare cupboard and see there's nothing there. I think companies that have some slack resources, that manage their portfolios well, have these sensing mechanisms. Those are the companies that are best poised.

You mentioned leadership capabilities. What's special about the leaders who emerge as winners out of these crisis situations?

They are intensely curious and they never think they have all the answers. They will say: "This is the best choice we have right now, but it's not the best one." There is always something more to do. They're very good at building rich information architectures. So, they will do skip level meetings; they'll do sessions where they get exposed to front line people. They'll do ride-alongs, go to the customer call center – they are very connected. Connected without being micromanagers. They want to know what's going on, but that doesn't mean they're going to freak out the whole organization by making some decision four levels away from their vision. They have this deep knowledge of what is going on. When you have that base layer of deep knowledge and there's a variation, you notice it. If you haven't invested the time to see what the base conditions are, you don't realize that and it's hard for you to interpret things.

Did anything good come out of the pandemic in terms of innovation capabilities or companies rethinking their competitive positions?

I think a lot of good came out of the pandemic. Like any period of instability, if you think about the time leading up to it, we had a lot of money floating around the system. It was a replay of the late '90s. It led to too many ventures getting too big. We had it very good for a long time. I don't believe people realized how good we had it. The pandemic came and people said: "This is really different." It forces creativity; a creative response. ■

**RITA
GUNTHER
MCGRATH**

is one of the world's most widely recognized experts on leading innovation and growth during uncertain times. Also known as a pioneer of discovery-driven planning, an integral theory for the foundation of the "lean startup" movement, she has been listed in the Top 10 of the Thinkers50 biannual ranking since 2013.

THE WALLENDAS

SEE A FAMILY CROSSING THE CHASM

TRANSFORMATION

TRANSFORMATION



WORDS BY
BENNETT VOYLES



PHOTO BY
MARK BLINCH

NO SAFETY NET
In 2012, Nik Wallenda became the first person to make the 550-meter journey from the US to the Canadian side of Niagara Falls on a tightrope.

PERSONAL AND BUSINESS SUCCESS often hinge on reinventing yourself in the face of adversity. The story of the legendary Flying Wallendas, a family of aerialists and daredevils that have been thrilling audiences for seven generations, makes a case for how training your emotional agility can help carry any endeavor through. It also offers lessons about resilient leadership and team coherence in a risky world.

S EVEN OF THE Flying Wallendas were just starting one of their most impressive routines – a slow procession in the shape of a three-story pyramid, high above an audience of 7,000 in Detroit's State Fair Coliseum, with nothing but a 1.9cm wire and a few blue spotlights between the acrobats and the floor. It was January 30, 1962, an ordinary Tuesday night until, suddenly, the lead walker began to lose control of his balancing pole. "I can't hold it any longer," said Dieter Schepp, before he plunged just over 10 meters to the concrete and, as one Shrine Circus clown told a reporter, America's most famous acrobats began to drop from the wire "like coconuts falling from a tree."

Schepp, 23 years old and a Wallenda nephew, died. So did a Wallenda son-in-law. A Wallenda son was paralyzed from the waist down and a cousin suffered a head injury. But the surviving and ambulatory Wallendas somehow climbed back on the high wire the very next night – including Karl Wallenda, the patriarch of the clan, who had to sneak out of the hospital to make the performance.

The following year, the Wallendas even began performing the seven-person pyramid again – and still followed the

family tradition of performing without a net. "Vati" Wallenda, a German-born immigrant, said he didn't want people to think of the Wallendas as quitters.

He needn't have worried. Despite other serious accidents in the years that followed – including his own fatal fall from a wire strung between two hotel towers in San Juan, Puerto Rico, in 1978 – a seventh generation of Wallendas still make their living on the high wire today, more than 60 years after the accident. "We've lost seven family members doing what we do, but we keep going," said his great-grandson Nik Wallenda in a backstage interview at the Missouri theater where he was performing with the rest of Nik Wallenda's Zirkus in 2023.

THE FLIGHT STUFF

How have the Wallendas kept their nerve, despite so many traumatic events, and still keep inventing new acts that enthrall audiences? There seem to be several reasons. In his memoir, *Balance: A Story of Faith, Family, and Life on the Line*, Nik Wallenda cites his Christianity as a source of strength. It may also stem from the way they were raised. As a scion of an old German-American circus family, Nik more or less grew up in midair.



"Walking the wire itself is something that comes very naturally to me ... you started walking on the ground at two or less, and I started walking on the wire at that age," he says.

As a psychological matter, however, experts say that resilience comes down to four character traits. Cary Cooper, professor of organizational psychology and health at the Manchester Business School and the co-author of *Building Resilience for Success*, argues resilience depends entirely on the degree to which you are adaptable, self-confident and able to seek out social support when you need it and maintain a sense of purpose.

Normally, those qualities develop in childhood. However, researchers have

found that even if children experienced significant adversity, such as dealing with a learning disability, they can still grow up to be well-adjusted adults. If, that is, they had one "charismatic adult" in their life at some point – someone who truly believed in them, according to Robert Brooks, a Boston-based psychologist and the co-author of *The Power of Resilience: Achieving Balance, Confidence, and Personal Strength in your Life*.

Despite discouragement from his parents, who feared the industry was dying, Nik eventually overcame their objections and joined his family on the high wire. The turning point came in 1997, when the Hamid-Morton Shrine Circus called his Uncle Tino and asked

the Wallendas if they would recreate the seven-person pyramid act in Detroit.

AFTER INTENSE PRACTICE, on March 6, 1998, they begin their long walk across the high wire. To keep the pyramid balanced, they move with every teammate's slump and shift "side to side, up and down. We must let them ever-so-slightly bend us without breaking us." In four minutes, as his paralyzed uncle watches from below, Nik and his relatives make it across the wire. With national coverage on CNN and Entertainment Tonight, the Sarasota, Florida, high school senior changes his mind about pursuing a career as a pediatrician and decides to stick with the circus.

BORN TO FLY

Like generations of his family before him, Nik Wallenda (top left) began learning the art of aerial showmanship as a toddler.

The Wallendas seem to have always had gumption to spare, but for the rest of us, the good news is that psychologists say resilience can be trained. Only 5-10% of people "are not very resilient and never will be, given what life has done to them along the way," Cooper says. The rest of us either have it or can develop it.

One way to find out where you belong is to take a psychometric assessment that shows you where ➡

your weaknesses lie and how they affect your behavior. An experienced psychologist can help you modify those behaviors "in a few sessions over a couple of weeks," says Cooper.

The kind of resilience that holds a group like the Flying Wallendas together, on the other hand, can be tougher to achieve. Even long-standing teams can have a hard time sticking together, let alone making it through demanding transformation journeys. These days, the Wallendas are still up in the air but far less often in the same place. Tino Wallenda leads a 10-person act, while his nephew Nik leads a six-person troupe, the Nik Wallenda Zirkus. "There was never a falling-out on my end," says Nik. "... I just went for big TV stunts and my uncle really focused on circuses."

THE ELEMENTS OF TEAM RESILIENCE are all the same as with individuals, according to Cooper, with one additional ingredient: "For a team to be resilient, they have to have the right kind of line manager. The manager has to be somebody who has good social, interpersonal skills," he says. And socially skilled managers are in short supply, Cooper adds, not because there aren't socially adept people out there, but because people tend to be promoted for their technical skills and not their social skills.

Supportive and encouraging actions matter, according to Brooks, because resilience in an organization depends on the degree to which people feel they are part of the group. Brooks' research found a lot of people's sense of how close they feel to the group depends on little things that others around them did – whether micro-affirmations or micro-aggressions. "It could be a simple comment, it could be a smile," he says.

Positive experiences leave a lasting impact too, and particularly when they involved being helpful to the group. More negatively, an offhand comment can leave an emotional scar. Brooks says that in his workshops about school cultures, for example, people would



sometimes burst into tears when they recalled a nasty comment a teacher made to them 40 years ago.

However, this too can be overcome through training and introspection. Brooks advises managers begin by trying to cultivate their self-awareness. Ask yourself, for example, how you come across. What words would employees use to describe you? If the answer isn't one you like, try to make some adjustments in what you're doing.

He suggests that to be an empathetic manager, it's also important to watch your words. In his own career, he says, he's learned over time about the value of speaking carefully. As a therapist, he found that just focusing on his patients'

RISING TO THE CHALLENGE

In 2020, Nik Wallenda undertook the most dangerous tightrope walk of his career over the active Masaya Volcano in Nicaragua.

problems could create a more negative atmosphere. It's important, right from the first meeting, to instead ask them about their strengths, which he dubs their "islands of competence."

Managers need to offer up a few genuine pats on the back too, in Brooks' view, to make employees feel valued and capable of meeting the challenges ahead. "I think if employees are to feel comfortable and part of the organization, it's important for them to know

PHOTO: TIM BOYLES

leadership is aware of and acknowledges their strengths," he says.

TWO CHEERS FOR FEARS

Despite admiring his great-grandfather's optimism, Wallenda says another emotion has played an important part in his resilience to keep the acts coming: fear. Performing day in and day out – he and his troupe may have three shows a day – means even death-defying feats become routine and it's helpful to be reminded of the danger. "Complacency is what will kill you," he says.

A second fear seems to have been an even more powerful driver for him. As a kid, he remembers being frightened

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**I THINK IT'S EASY
TO BE STUCK IN A
CONSTANT CYCLE
OF DOING THE SAME.
AND THAT'S WHY
MULTIGENERATIONAL
BUSINESSES FAIL.**

— **NIK
WALLENDAS**
SEVENTH-GENERATION MEMBER
OF THE FLYING WALLENDAS

after hearing his parents talk about being nearly broke because of declining circus attendance. In the short run, that fear pushed him to take on all the after-school work he could find, enabling him to save more than \$20,000 by the time he left high school.

Money worries have also shaped his adult career, pushing him to "think outside the Big Top," as he puts it, and to reboot the Wallendas' gravity melodrama for a new century, producing and performing stunts that have put him in front of television audiences on wires across Times Square, Niagara Falls, the Chicago skyline, the Grand Canyon and even a live Nicaraguan volcano. It's also led him to extend the Wallenda brand

into other lines of work altogether, such as giving inspirational speeches. "I think it's easy in business to be stuck in a constant cycle of doing the same," he contemplates. "And that's why we see multigenerational businesses fail. Circus World has struggled, because a lot of people in the industry continue to do the same as their parents – or, more often than not, less than their parents did in the industry."

Nik Wallenda sees trying and failing as preferable to the kind of failure that stems from not taking risks: "I think much of society is miserable every day because they're complacent, because they give up on their dreams and settle for the status quo." ■

FOLLOW THE LOSER

WANT TO MANAGE CHANGE BETTER? Look no further than the startup world, where pivots are standard practice. Noam Wasserman has dissected thousands of transformation attempts and distilled them into a set of rules for survival.

TRANSFORMATION



WORDS BY
BENNETT VOYLES



ILLUSTRATIONS BY
EVA REDAMONTI

TRANSFORMATION DOES NOT just happen. In the startup world of small teams, it depends a lot on people like you. On you, in fact. Entrepreneurship scholar Noam Wasserman argues that for small organizations that constantly need to change, it pays to know and avoid the most common mistakes made by thousands of little transformers. How a budding venture responds to frequent change holds lessons for larger organizations as well.

Wasserman, who worked at Harvard Business School and currently is dean of the Sy Syms School of Business at Yeshiva University in New York, tapped into the power of negative thinking in two books: *The Founder's Dilemmas* and *Life is a Startup*. He analyzed data on nearly 10,000 founders of more than 3,600 US startups and concluded: "If entrepreneurship is a battle, most casualties stem from friendly fire or self-inflicted wounds." Here are 10 points drawn from Wasserman's work on how to get your transformation right – or at least less wrong:

1 STEP ASIDE

PIVOTS CAN REQUIRE personnel changes and founders may need to accept that they are the ones who should walk the plank. One study of 6,130 US startups showed that companies whose founder stays in control beyond product development tend to underperform. Often, a different kind of leadership is needed to grow the company.



2 QUESTION GOALS

ONE OF THE MOST frequent problems among small startup teams is trying to be both rich and king. Founders who keep control of both the CEO position and the board of directors end up with equity stakes only 52% as valuable as those held by founders who gave up both the CEO position and board control.

3 FALSE FRIENDS

FOUNDERS OFTEN go into business with friends and family. But when founders bring in a family member or a friend who is not a coworker, the risk of departure of the founding CEO rises by 28.6%.

4 DUPLICITOUS GUT

TRUSTING YOUR GUT doesn't always yield the best results, particularly when it comes to a leader's personal career choices. Studies show that entrepreneurs earn 35% less over a 10-year period than they could have earned in a corporate job.

5 GRUMPY IS GOOD

LOVE YOUR TEAM? It may not be a good sign. One study of symphony orchestras found that professional musicians who didn't get along well personally performed better than orchestras where people liked each other. A little friction, it turns out, can promote team performance and member learning.

6 ASK A STRANGER

AN ANALYSIS OF nearly 12,000 venture capital deals shows collaboration between VCs in different firms with the same ethnic background cost a 20% reduction in performance on average. So, don't turn to someone who looks just like you.

7 LOOK FOR TROUBLE

A TEST CRISIS helps build the capability to handle challenges. Resilient optimists tend to do best. A study of an insurance company discovered its most optimistic salespeople outsold the least optimistic by 88%.

8 DON'T COMMIT

FOR STARTUPS, it can be easy to stick to a plan and hard to second-guess it. Set up particular checkpoints in advance and then change the plan if the results don't align with expectations. In a study of 22,000 venture-backed companies between 1987 and 2008, 34% either went bankrupt or were not expected to return money to shareholders.

9 INVITE PUSHBACK

THE MOST EFFECTIVE founders raise tough issues early. The ones who know how to fight well tend to manage better, particularly when they learn to go out of their way to find the truth. "It's sometimes invaluable to have somebody push back on you," Wasserman says.



10 FIGHT FEAR

UNREALISTIC NEGATIVITY is an approach that's been proven not to pay off, so don't make fear a controlling shareholder. The Global Entrepreneurship Monitor reports that 30-40% of people say fear of failure would prevent them from starting a business, disqualifying themselves before they even consider the opportunity.

TRANSFORMATION



❁ ❁ ❁
The
❁ ❁ ❁
CARAVAN
OF LOVE

THE CIRCUS LIFE, witnessed up close, is a bewildering anachronism, a dazzling mix of freedom and precariousness that modern society has almost forgotten. Tightly knit families of artists still roam the countryside, setting up camp outside town to entertain small audiences and share the love for their dying craft.



PHOTOS BY
STEPHANIE GENGOTTI

*FAMILY TIME
 Marius (then 6)
 shares a tender
 moment with his
 single mother Maria.*





STYLING: ANTONIA

W

WHEN PHOTOGRAPHER

Stephanie Gengotti made the decision to drive from her base in Rome to a circus festival in the small

northern Italian town of Colorno for a quick assignment, she didn't know she was about to find her calling. Walking up to a motley collection of caravans camped in a field one early morning, she happened upon the Brunette Bros., a micro-circus made up of just four adults and two children that stopped touring in 2021.

Then and there, Gengotti decided to document the life of these peripatetic artists who, to her,

celebrate the most important good: freedom. "The circus is like a symbol of a world without frontiers – a globalized, multiethnic wheel that spins and squeaks relentlessly. With its delight and its despair, the circus is a metaphor for life," she'd recall four years and six circuses later.

Accompanying these small family enterprises that share happiness and hardship on the fringes of a relentlessly efficient economy gave Gengotti a new appreciation for choosing one's path and performance at the peril of being broke. And for putting joy and love at the center of everything you do. "When you watch a show, something happens inside of you, whether you laugh or cry. It's like happy therapy." ■

IT'S A FAMILY AFFAIR
Manu, Lisa and their son Ernesto are posing for a portrait outside the Brunette Bros. Circus while performing in the Italian countryside. Their six-person ensemble keeps the ancient art of itinerant, open-air showmanship alive.

NAP TIME
Marius (then 6), part of the Brunette Bros. Circus family, is resting in the shade, escaping from the sweltering summer heat before the performance starts later in the afternoon.



TRANSFORMATION

LIFE OF A CLOWN

Brunette Bros. artists Manu, Lisa, Luca and Maria, four performers from three European countries, pose for a portrait after their show, which they put on in front of an audience of up to 60 people.

ROAMING RUGRATS

There is always time for the seasoned circus pros Marius and Ernesto to have some fun with the props before the audience arrives.





LOST WONDER
 After 17 years, the Brunette Bros. was forced to bring down the final curtain in 2021 due to economic pressures. Co-founder Maria Solà celebrates the now disbanded troupe in the 2023 documentary entitled "Memorial, of a circus that once was."

TRANSFORMATION

♦♦ The ♦♦

VANISHING ACT!

REVIVING RETAIL

TRANSFORMATION

TRANSFORMATION


 WORDS BY
PARAM NAYERI


 PHOTOS BY
JIM LO SCALZO

*THE NEXT LEVEL
 If brick-and-mortar
 retail is to survive,
 it must reimagine
 the shopping
 experience for a
 new generation.*



SQUEEZED BY THE SURGE in online sales and pandemic-driven disruptions to both supply chains and consumer habits, retailers have had to look for new formulas in order to survive. As it turns out, many brands around the world have found ways to stay relevant and attract new and existing customers.

FIVE YEARS AGO, Barnes & Noble, the century-old US bookselling chain, was in the doldrums and reporting its seventh quarterly loss after working under its fourth CEO in four years. It looked to be on its way to liquidation, which is what its longtime archrival Borders experienced in 2011.

And then, in the summer of 2019, the bookstore chain was acquired by the hedge fund Elliott Management for \$683 million, and James Daunt – the British independent bookseller known for turning around the UK's Waterstones chain back in 2011 – was appointed as CEO. Now, and for the first time in a long time, Barnes & Noble is expanding as opposed to shrinking. The chain is opening 30 new stores and is showing definite signs of growth. How has that happened? The pandemic book-buying bump has been a huge help, of course. But so has Daunt's strategy.

BARNES & NOBLE NO LONGER SELLS bottled water, batteries, electronic chargers and other products that have nothing to do with books; has stopped letting publishers buy their way onto prime bookstore real estate like front tables, vitrines and high-visibility shelves; and it has given bookstore managers the complete freedom to personalize their displays and

to lay out the titles that buyers in their community would be most interested in. "The publishing industry went through a terrible time very early on, and actually is a kind of leader now in how you do retailing in a very engaging way," says Mark Pilkington, brand futurist and author of *Retail Recovery: How Creative Retailers Are Winning in Their Post-Apocalyptic World*. "It's the idea that you take an intellectual community in an area and learn a lot about them. You have very good people in the stores who love reading. And you have that kind of engagement where it's more than just a commercial transaction. It's a philosophy of life."

NO MORE COOKIE CUTTERS

Mark Cohen, director of retail studies at Columbia Business School in New York, is equally upbeat about the bookstore chain's prospects under its new CEO. Daunt "has taken this cookie-cutter, plain-vanilla assortment that Barnes & Noble was becoming trapped by and started to make the stores more relevant by making the content more interesting and more locally appealing," says Cohen. It is a recovery that is still ongoing, he adds, but it looks like it may very well take hold.

Barnes & Noble stands out as one of the success stories in a global retail



“**PUBLISHING IS A KIND OF LEADER NOW IN HOW YOU DO RETAILING IN A VERY ENGAGING WAY.** — **MARK PILKINGTON** BRAND FUTURIST AND EXPERT ON CONSUMER MARKETS

industry that has otherwise been badly battered over the last decade. Big-name brands that were once invincible pillars of US retailing – Sears, Kmart, Toys "R" Us, Bed Bath & Beyond and Barneys – have all filed for bankruptcy. Of the 2,500 malls that once dotted the United States in the 1980s, roughly 700 are still standing today – and only 150 of those are expected to be around in ten years' time. Across the pond, London's Oxford Street is now a shrunken version of its former self: Topshop, Debenhams and British Home Stores are all gone.

The wave of large-scale layoffs, store shutdowns and bankruptcies that has plagued the global retail industry since 2015 has been exacerbated by the global

AMONG THE LAST OF ITS LOT Customers no longer flock to previously bustling centers like the Lakeforest Mall in Maryland, which shuttered in 2023.

coronavirus outbreak, resulting in "the biggest change to the retail industry in the last 200 years," writes Pilkington in his book. The effects of that change "may not be immediately visible, but over time, they are going to drive a massive retail revival across the world."

Why does the retail industry matter so much? Because it accounts for quite a sizeable portion of the global economy. Retail revenues worldwide totaled just

over \$28 trillion in 2022 – dwarfing the \$23 trillion US economy. Jobwise, retail is the largest private sector employer in the US. In the European Union, a recent vocational development report states that about one in seven workers have retail or wholesale jobs.

RETAILERS THAT SURVIVED have had to up their game, work to bolster their online as well as offline shopping experiences and use innovation and smart thinking to reach out to the billions of shoppers who are still out there and willing to spend. After all, "the customer didn't disappear," notes Cohen, who was the CEO of Sears Canada before he joined Columbia's faculty. "Retailers →



who had a healthy business before the pandemic, a healthy relationship with customers and a healthy balance sheet, were able to survive," he adds. "The strong are back, some with a vengeance, some in recovery."

All in all, says Cohen, "if you delight your customer with whatever it is you're trying to accomplish, they come back." If you don't, they won't, because unlike in past decades when customers, especially in the US, were "tethered to their ubiquitous local mall," they can now browse and transact online with retailers anywhere in the world. Brick-and-mortar vendors can simply no longer rely on customer loyalty the way they used to. "Excellence has always been a feature of retail success," Cohen explains. "It's now an imperative."

FOR MANY RETAILERS, the pandemic has turned out to be an opportunity to boost their online offering and become omnichannel retailers. They improved their marketing and branding strategies,

A WINDOW OF OPPORTUNITY

Lord & Taylor was the oldest department store retailer in the US until it closed all of its stores in 2021 to become "digital first."

built customer communities through the use of social media and personalized those relationships using consumer data, such as information collected in apps that shoppers can tap into while they're visiting stores and retail outlets. "It took them 20 years to catch up," notes Pilkington.

The pandemic also turned out to be a chance for retailers to dispel the long-held assumption the internet is going to put an end to physical shopping. "People want to make it a zero-sum game. It's not," notes Nirmalya Kumar, a professor of marketing at Singapore Management University. "Both online and offline will continue to coexist – and both will flourish. If you don't have a proposition as an offline store, you're out of business."

But if you have a proposition, you will continue to exist."

Online shopping, Kumar goes on to explain, makes complete sense for products such as e-books, music, software or airline tickets. It makes little sense for products such as groceries, because "when I want to buy an apple, I have in my mind what a perfect apple is in terms of ripeness that I cannot describe to people online – and the online people can't describe to me."

ZEROING IN ON THE ZEITGEIST

Internet retailing expanded massively in the last decade thanks to the internet revolution, globalization and the availability of "very, very cheap money backing a lot of startups," says Pilkington. Today, with deglobalization, economic sanctions against China, soaring interest rates and new data privacy rules imposed on Meta and Apple, "we're seeing the internet companies go under," he notes. "There's a shakeout happening

PHOTOS: PICTURE ALLIANCE/EPA/JIM LO SCALZO

on the internet side, and that shakeout is going to continue." In other words, online shopping is most definitely not swallowing up offline shopping. "People will still, for a variety of reasons, shop physically," says Cohen, who points out that millions of Americans don't have credit cards, either because they can't get them or they don't want them – not to mention millions of consumers who don't have a mailroom where packages can be delivered safely.

For Pilkington, one of the biggest retail success stories is Lululemon, the first "woman-centric brand" to break through in an otherwise predominantly male sports and active wear sector. In June 2023, Lululemon shares had their biggest jump in three years, a full-year sales forecast of \$9.5 billion and plans to open 30 stores outside the US, mostly in China. As he explains, "Lululemon is not just a piece of clothing. It's a way of life: They sell meaning to people."

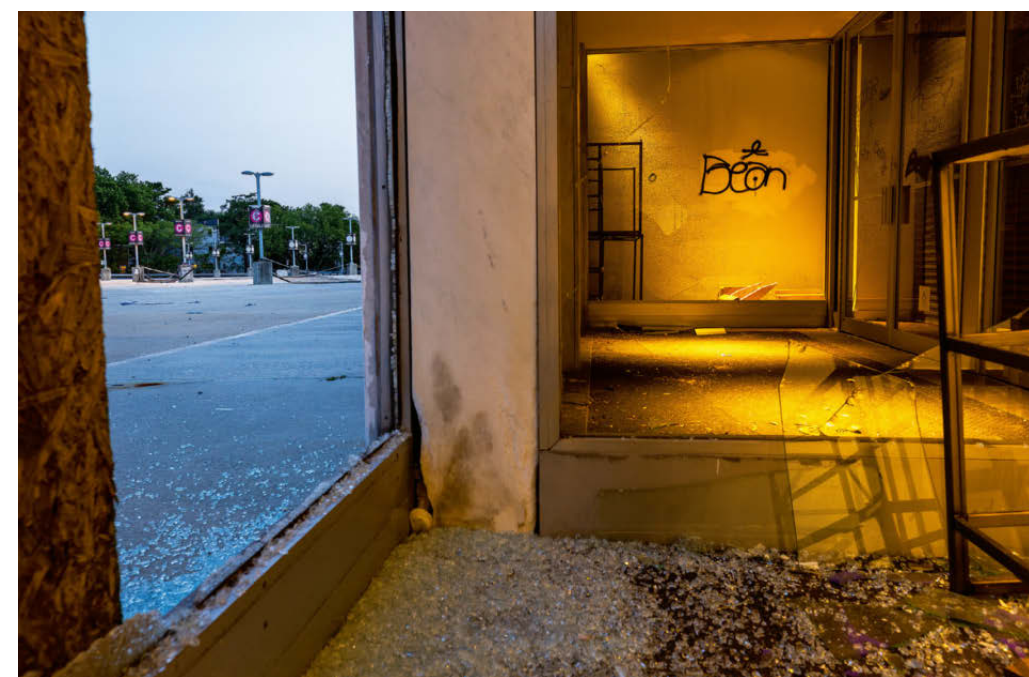
PHYSICAL RETAIL IS GROWING in emerging markets as well, as Cohen points out. "Asian customers prefer service," he says. And with economic growth in the high single digits, households have cash

“**EXCELLENCE HAS ALWAYS BEEN A FEATURE OF RETAIL SUCCESS. IT'S NOW AN IMPERATIVE.**”

— **MARK COHEN**
DIRECTOR OF RETAIL STUDIES
AT COLUMBIA BUSINESS SCHOOL

BREAKING WITH THE PAST

Lord & Taylor survived bankruptcy in 2020, but its former stores, like this one in Washington, DC, now stand empty.



to spend. But Alibaba, the Chinese online retailer, rules the roost when it comes to e-commerce in Asia. "Alibaba is a great company," says Singapore Management University's Kumar. "They learned a lot from the mistakes of Amazon by coming later and they have a great trading platform. They're doing well in that. But they can only succeed in China." Why? Because, as Pilkington explains, "it's very expensive to ship stuff across the world" and Alibaba's export wing AliExpress – which was massively invested in, with a promise of ultra-speedy global shipping – is probably not making much money.

ALIBABA BRANCHED INTO FOOD in 2016 with Freshippo, grocery shops that stock a limited number of items in store, but many more online. Customers visiting the stores are treated to beautiful food displays, live cooking demonstrations and the possibility to order in store and receive their deliveries at home a half hour later. Kumar, however, is skeptical if the concept will work. "The online grocery retailing business is a mug's game. You will never make money on it," he says. "Investors demand it and you always think: 'I'll be different.' But it's defying gravity. It will never happen."

From a vaunted bookseller going back to basics all the way to e-commerce firms embracing physical storefronts, there are plenty of reasons for optimism that ongoing transformation will pay off for retailers across the globe, according to Pilkington. "The mind-numbing uniformity of the past – high streets and malls filled with the same tired formats – will give way to a vibrant cacophony of ever-changing brands, offering innovative products, entertaining experiences and a sense of community," he concludes in his book. "If this retail recovery leads to a wave of innovation, individuality and entrepreneurial passion being present in our high streets and malls, then this will ultimately represent a positive outcome from all the chaos and heart-break of the recent past." ■

❖ **THERE'S** ❖
AN APP
FOR THAT:
 The amazing rise of
eGOV



WORDS BY
GEOFF POULTON



PHOTO BY
GUSTAVO MINAS

*ALWAYS AT HAND
Governments
around the world
are growing the
number of digital,
smartphone-based
services available
to their citizens.*



Atenção
 Não é permitido
 comércio ambulante
 nas áreas delimitadas
 pela faixa branca.

Information
i Informações

Transporte Metropolitano
 Transport Network

GUIA DO PASSAGEIRO
 Guia para o usuário do Metrô de Belo Horizonte

Guia do Passageiro

GOVERNMENTS EVERYWHERE are struggling to pull off successful digital transformations that will make their public services more accessible and efficient. Smaller or emerging economies may prove to have an advantage since they don't have to cope with legacy systems – if they can overcome the hurdles to implementation and the turf wars.



WHEN THE DIIA APP was launched in Ukraine in February 2020, the government's chief aims were to

fight corruption and kick-start Ukraine's transition into a digital state. The app would give citizens and businesses quick and easy access to a slew of government services, ranging from updating car registration details to setting up a limited company. In the three years since, its use has mushroomed as Covid-19 and then the Russian invasion intensified the need for digital public services. The app is now installed on more than 70% of Ukrainian's phones and offers more than 70 different government services. Diia contains the world's first digital passport. It also enables citizens to receive refugee payments, report Russian troop activity and apply for funds to repair bomb damage.

This may be an extreme example, but it shows how acute situations can drive innovation in a sector renowned as slow to change. Digitalization has proved tough for many large, established companies in the private sector – but for public institutions, the challenge is much greater. From short-termism and lack of funding or expertise to outdated infrastructure, complex silos, changing public sentiment and potential security concerns to organizational resistance to change – the list of hurdles is long and even the richest governments have struggled to embrace digitalization. "All too often a government's information and communications technology projects do not deliver on their promise," states a 2022 report



Diia

Ukraine's Diia app, meaning "action," allows the use of digital documents instead of physical ones, including passports, driver's licenses and car registrations. It can also be used to file taxes.

A LINE OF SUPPORT
Ukraine's Diia app has given refugees digital access to their passports and emergency funds.



THE NEXT GENERATION
With two-thirds of its population under 30, digital transformation in Namibia is unavoidable.

from the World Bank, hinting at how difficult implementation can be, even if there's a political consensus to move forward.

Governments get a particularly bad rap when comparing their digital progress with the private sector. But this typically overlooks several critical factors, says David Eaves, professor in digital government at University College London. "There's often a huge selection bias problem. Companies in the private sector that don't transform themselves

as needed just disappear. The private sector will always look better because you're constantly lopping off the bottom of the curve. Governments just don't face the same existential threats and that allows for more inertia."

TRUST AND SECURITY FACTORS mean governments can't take the same risks with technology, Eaves adds. They must ensure sensitive data is kept safe and services remain available. "Do you really want your government to be at the bleeding edge of innovation when it comes to providing public services? I don't." Nevertheless, as Ukraine has shown, it is possible for governments to embrace innovation – and it needn't take an acute emergency to do so.

Perhaps the most well-known exponent of e-government is Estonia. The tiny Baltic state with a population of 1.3 million now has 99% of its government services available online. It isn't shy about this, either: Estonia has dedicated an entire website to its "e-government," outlining what makes it "the world's most advanced digital society." This self-styled accolade has been decades in the making. After almost half a century of Soviet rule, Estonia



Nam-X

Namibia's governmental interoperability and secure data exchange solution, Nam-X, was launched in 2015 based on Estonia's proven X-Road model developed by Cybernetica.

regained independence in 1991 with limited legacy systems and almost no resources. Policymakers saw it as an opportunity to create a low-cost, ultra-efficient state based on cutting-edge technology. Teaching computer skills in schools and updating IT infrastructure became top priorities.

In 2001, it introduced X-Road, a secure data exchange layer for sending and receiving data between private and public sector organizations that has enabled Estonia to set up and run a suite of more than 3,000 digital public services. Every citizen now has a unique digital signature, ensuring voting, health care and social benefits can all be accessed online. Estonia claims that e-government saves its citizens an average of five working days a year and 2% of GDP annually. X-Road has been so transformative that Estonia has exported the technology to countries around the world.

ONE OF ITS PARTNERS IS NAMIBIA, which began to develop its Nam-X data exchange in 2015, leaning heavily on the X-Road solution. In collaboration with digital leaders like Estonia, as well as the Digital for Development partnership between the European and African Unions, the Namibian government aims to boost digital literacy and expand its e-government services, says Emma Theofelus, the country's deputy minister of information and communication technology. Just 27, she is Africa's youngest female government minister and a driving force behind local digitalization.

The former youth activist cut her teeth as deputy speaker of Namibia's Children's Parliament from 2013 to 2018 before earning a law degree. Theofelus has also been named one of Africa's most influential women and in 2021 featured in the BBC's women of the year list. And clearly, she is out to change things in Namibia. In a recent conversation with the local paper *The New Era*, she pointed out that close to two-thirds of the population are age 30 or younger, making digital transformation unavoidable. "We must be ready because failure to do so will leave us behind. Whether it pertains to infrastructure, skills or investment, we have no alternative but to prepare ourselves."

Exchanging experience and expertise on digital government shouldn't be a one-way process. "There are so many interesting things happening in emerging markets," says David Eaves. "Because the governments are often less mature, there's greater opportunity to create more wide-reaching, horizontal impact. Unfortunately, I don't think

most mature markets are paying enough attention or are willing to learn from them."

Daniel Schaer, Estonia's ambassador-at-large for Africa and a frequent collaborator on digital projects there, however, is keen to emphasize that his nation aims to learn wherever possible. "Estonia can help some countries take initial steps toward implementing e-governance, but we've also found that we can learn from them, too," he says. "Where European nations may prioritize the efficiency gains of e-governance, our work in Africa has shown us that we need to take a more citizen-centric approach when developing digital solutions and focus on what actually makes people's lives better."

BANGLADESH'S A2I PROGRAM is an excellent example of how a government can capitalize on a lack of infrastructure to build hugely impactful digital services, according to Eaves. With many citizens having limited or no internet access, the Bangladeshi government has set up more than 9,000 franchised kiosks around the country, run by "govpreneurs" to help people digitally access a range of public and private services, from social benefits to online banking and e-commerce. With more than 2,000



BANGLADESH

SOUTH ASIA

a2i

Bangladesh's a2i, or "aspire to innovate," program aims to provide simplified, affordable, reliable and inclusive access to public services as well as encourage small businesses, teachers and youth to partner with government actors.

services now available, the government's online portal is accessed by 30 million people each month. One example of how seemingly simple things can make an impact is a new service called "333." It's a voice-enabled, national call center that lets citizens with low literacy, low familiarity with technology and without smartphones (which means two-thirds of the Bangladeshi population) dial in from even a low-cost mobile phone or landline and request a service or air a grievance.

Like Namibia, a change in government workers' mindsets has been key. "A2i has helped foster a culture of innovation and experimentation within the civil service by embracing the notion that failure is OK," says Anir Chowdhury, policy advisor for a2i. "Another significant challenge we faced was turf control among government ministries and agencies," he adds. "To tackle this, we proposed a solution centered around data control." It means that agencies could retain control of their data while sharing only necessary information with others.

The Bangladeshi government passed a bill in July 2023 that will see a2i become an official government agency with a key role in the country's Smart Bangladesh Vision 2041. Among the goals: a 100% cashless society and personalized digital services for all, including marginalized groups. "In digital development, there has been expansion, but not necessarily inclusion," Chowdhury says. "But digital development, if managed properly, is a powerful equalizing factor in overall economic and social development." A2i wants to be more than just a catalyst and instead provide what he calls "policy Legos" or "frugal, foundational building blocks that enable the construction of new societal, policy and digital innovations." It's a tall order for a country that tries to "transcend the so-called 'middle-income trap,' which many Asian countries have been unable to escape."

DIGITALIZATION IN THE PUBLIC SECTOR needn't always be about access to a wide range of services. In less than three years, the Brazilian central bank's Pix payment system has established itself as one of the most successful stand-alone examples in this area. The premise is simple: Pix enables users to make instant transfers to another individual, company or the government using their smartphone. This may not seem a groundbreaking solution, but in 2018 the vast majority of Brazil's retail transactions were still made in cash. It had no interbank direct debit program and high fees prohibited widespread



AIDING MOBILITY
Bangladesh's digital services are focused on accessibility.

CARDS AND CASH OPTIONAL
Brazil's smartphone-based Pix payment system is aimed at growing commerce.



use of debit or credit cards. The system offered very little benefit to any of the parties involved.

So, the Brazilian central bank began to work on a solution and launched Pix in November 2020. "Pix isn't your typical central bank product. Earlier infrastructures had financial intermediaries as their end customers. Pix has society as the end consumer," says Priscilla Koo Wilkens, former head of the Pix management division. A Pix Forum was opened up to companies and associations of every size and industry. "Topical working groups led technical discussions on issues regarding user journeys, messaging systems, technical standards and security." A diverse project team also helped, Wilkens adds. "We worked remotely, spread across the country. And the majority of the team was female – in my experience, that's a major exception in almost everywhere in central banking."

Pix is free for individuals, while merchant fees are much lower than card payments as there are fewer intermediaries. In its first year, Pix already racked up more transactions than credit or debit cards in Brazil and it now processes almost three billion transactions every month from 130 million



BRAZIL

SOUTH AMERICA

Pix

Developed by Brazil's central bank to help open up e-commerce options, the Pix payment system has enabled free (or lower-cost) access to instant digital transactions and reduced cash-associated costs.

users in a country of 219 million. Beyond improved efficiency, it also opens up a wealth of e-commerce options for both citizens and businesses in Brazil.

SUCH PROMINENT SUCCESS for digital projects in the public sector is more the exception than the rule, though. "More than the technology, it's the change management that needs the most work and that takes time," says Estonia's Schaer. "In Estonia, the prime minister who started our journey toward digitalization didn't win the following election. It's a long process, a legacy move."

Despite the inward-looking nature of public sector digitalization, international collaboration is becoming increasingly important. In addition to Estonia's efforts, India's MOSIP technology (modular open-source identity platform) is now being adopted by countries in Africa and Southeast Asia. Bangladesh is providing support to countries such as the Philippines, Somalia and Yemen. And in 2023, Ukraine announced plans to work with countries in South America, Africa and Europe to develop their own versions of its Diia app – including the world's most advanced digital society, Estonia. ■

The fearless
FOUR
 ♣♣♣ ♣♣♣
 WHO WANT TO
CHANGE
THE WORLD

TRANSFORMATION


 WORDS BY
HELENE LAUBE


 ILLUSTRATIONS BY
LAURA SALAPIA



ACTS OF OPTIMISM
 Fredda Kapor
 Klein, Mitch Kapor,
 Rose Marcario and
 Bob Chapman are
 proving business
 can make the world
 a better place.

PRO-SOCIAL ENTREPRENEURS and companies are working to transform their own organizations to make the world a better place. Some, as these examples from the US demonstrate, are even trying to impact the world beyond their own four walls.



DOING GOOD can translate into doing well financially.

That was something impact investor Freada Kapor Klein and her husband Mitch Kapor set out to demonstrate when the couple launched Kapor Capital in 2011 to invest in what they call gap-closing startups. "We wanted to prove social impact investing doesn't mean sacrificing returns – it's actually good for business," says one of Silicon Valley's most iconic investor duos during a video interview from their Healdsburg, California home. Kapor Klein explains that their "investment criteria are pretty clear and pretty rigorous. The company has to be a tech startup, because tech is the only way you get scale. And the core business has to close gaps of access, opportunity or outcome for low-income communities and/or for communities of color."

THEIR OAKLAND-BASED FIRM won't invest in a company "that's just going to make the founders wealthy," says Kapor Klein, who also co-founded the Alliance Against Sexual Coercion, the first organization in the US to combat sexual harassment, in 1976. Kapor Capital proves that investing 100% in gap-closing impact companies with a diversity lens can still make top financial returns. "As we showed first in our 2019 Impact Report, we were a top-quartile fund compared against all venture funds of a similar size," says Kapor, who was an early developer of the spreadsheet and co-founder of Lotus Software. So far, Kapor Capital has launched nearly 200 companies engaged in achieving social and economic justice while showing

remarkable growth, with many valued in the hundreds of millions or billions.

One of their focus areas is the lack of diversity in tech investing, which

NAME
FREADA KAPOR KLEIN
& **MITCH KAPOR**

COMPANY
KAPOR CAPITAL

PHILOSOPHY

Seeking to prove that venture capital can be used for both social and financial gain, Kapor Capital is committed to diversity and investing in tech solutions for a more equitable society.



means that great business ideas and founders outside what is familiar to the venture capitalists are often overlooked, they point out in their book *Closing the Equity Gap*. They criticize the fact that with traditional VCs, most of the wealth created winds up enriching elites and widening economic inequality.

THE COUPLE'S GOAL is to generate wealth in the most vulnerable communities. But, they concede, change is slow. "There are many points of progress we can point to, but in no way do they add up to a sea change," says Kapor. "The time frame in which things happen is long – decades or generations – but there is a new generation coming up to whom the torch has passed."

The Kapors also passed the torch. They stepped aside at Kapor Capital in 2022, naming Ulili Onovakpuri, one of the few Black women in venture capital, and Brian Dixon, one of the youngest Black men to lead a fund, as managing partners. The Kapors are now co-chairs of the nonprofit Kapor Center.



AFTER 12 YEARS at Patagonia, including seven as CEO, change was "existential," says Rose Marcario. Since it was founded 50 years ago, Patagonia has mixed business and politics to a degree rarely seen in the corporate world. The California-based company built a reputation for its commitment to environmental and social responsibility and its support for grassroots environmental activists. But Marcario wanted to have an even bigger, more direct impact. "We have a short life to live and scaling direct climate solutions felt like the best use of my skills," she says.

MARCARIO RESIGNED from Patagonia in 2020 and became a partner at ReGen Ventures, where she aims to affect broad-based change in a world at the brink of ecological collapse. The Los Angeles-based firm invests in early-stage startups working on regenerative technologies. "The technologies we fund are enabling regenerative agriculture, climate resilience, food security, plant-based food alternatives and new production inputs that come from regenerative resources," Marcario explains. She adds that she felt "uniquely qualified to support this important work."

Marcario has a singular view on corporations trying to move toward a more humane version of capitalism and to transform beyond their own four walls. During her time at Patagonia, she leaned into political activism, culminating in a lawsuit against then-President Trump over his decision to shrink the size of two national monuments in Utah. "I believe there is more risk in staying silent in the world we live in," Marcario says.

While activism and advocating for issues – especially when they are focused on the environment or justice – can be risky for brands, she says that Patagonia succeeds because above all the company and its people are "authentically and consistently committed to their values and they are brilliant marketers who



NAME
ROSE MARCARIO

COMPANY
PATAGONIA/REGEN VENTURES

PHILOSOPHY

Backing "regenerative technology companies that are restoring the planet from the atom up," ReGen Ventures carries on Marcario's work at Patagonia by championing investment as an act of optimism that can create a better way of living.

know how to weave the narrative into a compelling, inspirational story."

TRANSFORMING CORPORATIONS for the greater good has become a buzz phrase – like corporate social responsibility, ESG or impact investing – for companies to show they really do care about their

employees and the world around them. While the gestures are often hollow, the momentum toward social responsibility has increased significantly. This is for various reasons, including public awareness for social accountability, consumer and employee demand for ethical and social responsibility as well as recognizing that organizations play a vital role in promoting shared social values.

What's the best way to tackle issues? "Always start with your own product where you can have the most direct positive impact," says Marcario. Take a stand, help educate, fund NGOs and activists to make deeper societal progress, she adds. "Your customers will vote with their dollars. It all makes good business sense." What doesn't work, she cautions, is poor or ambiguous brand messaging, reacting and performative actions. →

IF YOU ASK Bob Chapman, leadership today is in crisis. "We have a broken model built entirely around money, power and position," says the chairman and CEO of Barry-Wehmiller. The \$3.3 billion Missouri-based manufacturing company has 12,000 employees – or team members, as he calls them. "If businesses and their leaders had the courage and the skill to actually care for the people they have the privilege of leading, business could be the most powerful force for good in the world," Chapman says. And this lack of care comes at a price. "Most people, in most workplaces, do the bare minimum to get by, they are disengaged

because they don't feel valued," he adds. This affects people's personal lives and costs the world trillions in lost productivity. \$7.8 trillion in 2021 to be exact.

CHAPMAN LOOKS AT LEADERSHIP as the stewardship of the lives entrusted to him, and as genuinely caring for the people

NAME
BOB CHAPMAN

COMPANY
BARRY-WEHMLER

PHILOSOPHY
Expanding the meaning of creating value beyond the bottom line, Barry-Wehmiller's people-centric approach looks at business leadership as a chance to build a better world.

he's leading. He joined the company in 1969. Starting in 1987, after nearly going bankrupt, he focused on acquiring companies that "were in better markets that would give us a better future – and that we felt we had the insights to improve," he says. Barry-Wehmiller has since acquired more than 120 companies. Every acquisition enables him to transform the culture of the adoptee.

Chapman began to transform the company around a culture he dubbed "Truly Human Leadership" in the early 2000s. Based on this perspective, Barry-Wehmiller is now built on a leadership model that views each employee not as their function in the company, but as a holistic person with needs, desires and ambitions. At the core of his philosophy are empathetic listening skills and the recognition of individual employees and their accomplishments.

In 2012, Chapman gave a TED talk that helped spread his employee-centric management philosophy far beyond Barry-Wehmiller. In 2015 he distilled it into a book and, in 2016, he created a consulting firm that helps enact culture change at organizations ranging from American Airlines to the San Francisco 49ers football team. His goal, says the 78-year-old, is to reach as many people as possible to "heal the brokenness we're all feeling in the world right now." ■

“
MOST PEOPLE DO
THE BARE MINIMUM
BECAUSE THEY
DON'T FEEL VALUED.

— **BOB**
CHAPMAN

TRANSFORMATION



CLOSING THOUGHTS ON
TRANSFORMATION

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** In the **
DIGITAL ERA,
TRANSFORMATION
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not the
EXCEPTION.

DAVID ROGERS
COLUMBIA BUSINESS SCHOOL PROFESSOR AND
AUTHOR OF THE DIGITAL TRANSFORMATION PLAYBOOK

Wide angle



Read on for diverse insights into the wider world of business and ideas.



Up in the air

Former Airbus Defence and Space CEO Dirk Hoke, now at the helm of flying taxi startup Volocopter, believes that cities need a new mode of airborne transportation to deal with growth and congestion. His next challenge is meeting a tight deadline to get things off the ground in time for the 2024 Paris Olympics.

BY **Steffan Heuer** PHOTOS BY **Katrin Binner**



DIRK HOKE'S PREVIOUS JOBS were all suit and tie, landing large contracts for industrial giants Siemens and Airbus. These days, Hoke sports fitted black T-shirts and wants to write transportation history. When the experts one day pen the chapter about electric passenger drones taking flight, chances are a few paragraphs will be devoted to Volocopter, a startup based in a small town in southwest Germany. The company is among dozens of contenders that want to cash in on an as yet untested mode of mobility. As Hoke tells it, applying the art of management and execution honed at the big incumbents may just be the crucial piece to get air taxis ready for liftoff.

You moved from a very big company, Airbus, to a small startup called Volocopter that aims to build electric passenger drones. What were your reasons for giving up a well-paying job at a big incumbent and jumping to a young company with an unproven business model?

I declined a lot of offers to join large companies as CEO and already had a very nice contract in front of me, waiting to be signed. My predecessor and one of the board members at Volocopter who knew me from my former job at Airbus really tried to convince me to become CEO. At first, I declined, then I gave it a second thought, because I always wanted to run a startup, but somehow there never was the right opportunity. And then I had a long talk with my family. My daughter kept saying: "Dad, you have run big businesses, you have made good money. Why don't you do something really cool?" How often do you have a chance to bring a completely new industry segment to life and write a small chapter of the aerospace industry?

Do you think experienced managers coming from a big company are the best choice to run a startup?

Not in any case, but in this case, definitely. Because the company has come to a point where it's not just storytelling, but delivering what it promised. It's about being consistent and structured because we have to follow a very diligent certification process, hitting very challenging targets.

In terms of running a company that's fairly young and small, are there things you realized you didn't know until you joined?

The difference is not that big. We have 700 people, but when you lead 30,000 or 40,000 people, you



Dirk Hoke

was the CEO of Siemens' Large Drives electric motors division before joining Airbus in 2016 as CEO of its Defence and Space division. In September 2022, Hoke took over the helm at German air taxi developer Volocopter. As of mid-2023, the company had raised in excess of \$780 million in funding. It expects to receive regulatory approval from the European Union Aviation Safety Authority in 2024, in time to launch the first commercial flights at the Olympic Summer Games in Paris in July 2024.

don't manage them all directly, but through the next layers of the pyramid. What you learn is that you don't have an extra department for every topic, you have people that do several jobs to address the challenge. And of course, being cost-conscious and careful with resources is a change. We also have a totally different environment in terms of diversity. Ours is a very young team, just over 30 years old on average, bringing together 60 nationalities. A lot of them joined because of the purpose of the company: They want to contribute to the decarbonization of our industry.

Very broadly speaking, how do you think humanity will get around in the decades to come?

There's an increasing effort to decarbonize the whole industry. For big commercial aircraft, there will be a very strict focus on sustainable aviation fuel. We will see experimental aircraft with hydrogen or hybrid propulsion and there will be a strong effort to go into electric flying, depending on the speed of the development of next-generation batteries. It will happen for smaller aircraft first, but the intention is to do this for big aircraft, too.

Your new job is to get a passenger drone or eVTOL, short for "electric vertical takeoff and landing vehicle," to market. How do you see those fitting into tomorrow's mobility mix?

We have the opportunity to create a new modality for transportation, not only for business, but also for normal day-to-day life. We're not talking about an overnight revolution, but toward the end of the decade when we will have thousands of these aircraft operating. It's a complementary modality concept. We will not replace anything; it is just an additional option. Our intention is not only to offer a comfortable flight for 15, 30 or 45 minutes, but to ensure that we are embedded into an end-to-end mobility concept. You need to ensure that the time that you gain by using our vehicles is not lost by getting to the vertiport, getting onboard or off and then reaching your final destination.

Do you see particular preferences for the future of mobility in different geographies, namely North America, Europe and Asia?

We have to be clear that eVTOLs don't make sense in all the different cities of the world. We have to concentrate on cities where you have a high degree of congestion and where there's a real need for an additional mobility concept. That's why we perform



thorough analyses of a city's layout and its existing ground infrastructure. For instance, how much space is there to develop additional options for vertiports and how to integrate our vehicles into urban life, whether it's short hops in the city or regional travel of up to 200 kilometers in an hour or so.

The way we meet other people has fundamentally changed. What role do you expect digital travel to play going forward? Why get on any flying device if we have Zoom, Teams, or perhaps one day soon the Metaverse with avatars and mixed-reality offerings? I've looked at that topic for the last ten years. The Metaverse will never replace the experience of

*A WIDER VIEW
Dirk Hoke's vision for the future of short-distance air travel is focused on both sustainability and ease of use for consumers.*

"We have the opportunity to create a new modality for transportation, not only for business, but also for normal day-to-day life."

— Dirk Hoke

having a person-to-person meeting. If I see you now ten times on the screen and then tomorrow we meet in a city, I probably won't recognize you despite the belief that we know each other. If you want to solve a problem that requires more interaction, you don't solve it on a video screen. If it's really critical, you do it in person. Will personal travel disappear, be it for business or leisure? No, definitely not.

What are the biggest problems we're facing with urban mobility? Is it just being stuck in traffic or battling emissions?

Emissions are just a result of increasing traffic. Since 2007, more than half of the world's population has been living in cities, going toward 70%. We obviously enjoy living in communities that have all the amenities and excitement of big cities. But many cities have grown from an existing infrastructure into a megacity and are not prepared for the massive transportation needs that a growing population will require. So, they have to find solutions for how to enhance the current infrastructure. That's a challenge because building a metro system takes billions and probably a decade to two to complete. Mass transportation solutions, were they not built already, won't solve our problem for the years to come, and the amount of people moving into cities will increase faster than mass transportation can be built. →

Engineers dream up all kinds of ingenious ideas. What do you think will become of the Hyperloop which promises traveling at high speed in pods shot through a pressurized tube?

At Siemens, I was part of the team that built the Transrapid, the maglev (magnetic levitation) train in Shanghai. It was a very smart technology that we unfortunately couldn't explore further. We had a lot of challenges, namely, how to integrate a maglev into an existing railway and mass transportation system. In the end, it didn't work out. Not because we couldn't solve the technical problems, but politically, because Germany didn't build its own system. Looking at the Hyperloop, I think there are a lot of challenges. First of all, people are already afraid of crossing the British Channel on the Eurostar. Going into a tube and traveling underground at high speed is not appealing to many people. And again, you don't build it overnight, even if it were to work. It would take decades to have an efficient infrastructure. The Hyperloop is a great challenge to explore new technology, but I don't believe it's a solution for our transportation problems.

Let's talk drones, or eVTOLs. A lot of people will roll their eyes at the idea of "flying cars." Why are you so passionate about building these vehicles?

We want to transport people in cities in the most efficient and sustainable way. It's a new form of

\$15 billion

The estimated total figure investors had poured into some 250 electric air taxi startups as of mid-2023.

SOURCE: THE INFORMATION

transportation. I understand people are trying to use their knowledge about helicopters to understand what we're going to do, but that's the wrong approach. We're not even close to a helicopter, even though it looks a bit like a helicopter.

Can you explain?

We are 100 times safer than any helicopter because we have this multirotor concept, which means we can lose one or two rotors and can still safely fly and land. Also, we have a very low noise level, which has been verified by independent authorities. You can stand 75 meters from the takeoff point and have a conversation. I think our biggest challenge is that the speed of the battery development is not as fast as many people predicted. That's why the capacity will increase over time. We will start with a two-seater, because this is what the batteries can carry right now. And once the next-generation battery comes into the market, we will add more capacity, in my opinion, in 2026. This step-by-step approach has another advantage. Even if we had a four- or eight-seater, the market is not ready, the population is not ready to have hundreds or thousands of vehicles around them. That means we need to prove in Paris and Rome – as well as in the other cities that we have selected to be our starting points – that it is safe and quiet as well as sustainable.

"We still operate our airspace like we did 50 years ago. It needs to be automated and digitally transformed."

— Dirk Hoke

You are obviously not the only company working on this technology and, as in every industry, most startups don't make it to the finish line. What will the landscape look like once the dust settles?

We are in an asset-heavy, capital-intensive sector, so the amount of money each of these companies needs per year is quite high. We'll see a consolidation process over the next five years, but the ones that will make it are not facing intense competition because the market is more than big enough. If you look at all the different vehicle concepts, I wouldn't be afraid if everyone made it. The faster companies come to the market, the faster the whole process will yield a standard infrastructure and an additional modality in our cities.

Pilotless flying is the end goal for drones, yet if you look at what's happening on the ground with robo-taxis and self-driving cars, most promises are still just that. What makes you confident autonomous operation will work in the air?

It's much easier to operate autonomously in the air than on the ground. Hybrid traffic of humans with automation and without automation is really a challenge, despite processing power advancing very fast and vehicles getting additional sensors. In the air, you have fewer surprises because of very strict traffic regulations, making it more predictable and easier to plan. That's why we will see the level of automation in aerospace increasing faster than we've seen it on the street.

Can air traffic management deal with that?

That will be one of the biggest challenges. We still operate our airspace like we did 50 years ago, handing over an aircraft from one section to the other by calling each other. Everything is radio-based. It needs to be automated and digitally transformed. All organizations have been pushing for it for the last decade, but the speed of transformation is not as fast as everyone would like.

How will you make sure that what you develop is accessible to as many people as possible and doesn't just turn into a service for rich people?

Assuming that we will have several thousand units operating by the end of the decade, we can get to a price point of around \$3 per passenger and kilometer, and that's a very reasonable price, roughly like an expensive taxi. But in order for us to really scale, we will need subsidies in the system as we saw for electric mobility on the streets. How to

The types of eVTOLs



WINGLESS: Multirotors that are efficient in hovering and suited for short-range operations in cities. (EHang, VoloCity)



LIFT & CRUISE: Winged and efficient in cruising, they use two different propulsion systems for hover and cruise flight. (VoloRegion, AutoFlight)



VECTORED THRUST: These use the same propulsion system for both hovering and cruising and have either fans or propellers in addition to wings. (Lilium, Joby, Archer, Aurora)

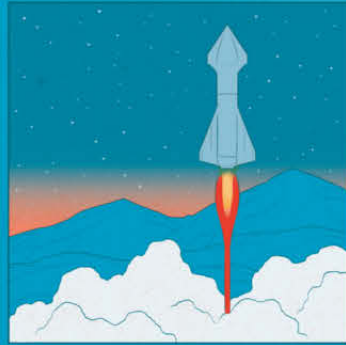
build the charging infrastructure will be one of the critical topics everywhere, so I'm sure there will be subsidies to accelerate the use of these vehicles.

What makes you so sure people will accept this new form of transportation?

As with all new technologies, people go through this phase of ignorance and resistance. You saw it with smartphones. Believe me, once eVTOL service is there, people will embrace it and they will buy it once it comes to a price point where you cannot resist using it. If it makes your life better and easier, you will use it. ■



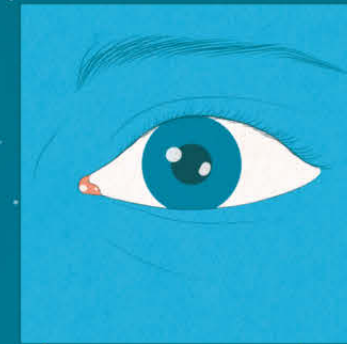
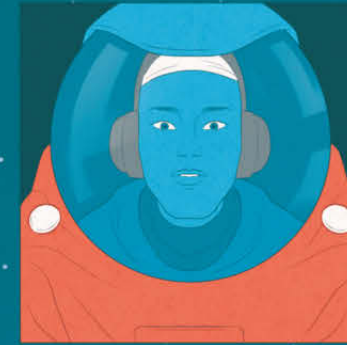
AVAILABLE ONLINE
See the Short Takes video with Dirk Hoke online: rolandberger.com/en/hoke



Splendid isolation

How can we prepare to endure the lonely and taxing voyage to Mars and back? Behavioral scientists and anthropologists are looking to some forerunners: 19th-century Arctic explorers who kept their teams alive and motivated even under duress.

BY **Fred Schulenburg** ILLUSTRATIONS BY **Anuj Shrestha**



E **LON MUSK HAS QUIPPED** about taking a one-way trip there. The government of the United Arab Emirates has envisaged a century-long project leading to eventual settlement. And countless others, from US presidents to engineers, have mooted, schemed and planned what would amount to arguably humanity's most ambitious venture yet: the settlement of Mars. While many of those ambitions may never leave the drawing board, let alone Earth, the notion of a crewed Mars mission is no longer the preserve of science fiction. From NASA's plans for a "Moon-to-Mars" expedition to Musk's ambitions for SpaceX, a number of actors, both public and private, are talking about setting off for the red planet within the next few decades.

Actually getting there will require surmounting significant technical challenges, as uncrewed missions to Mars have already demonstrated. But beyond the aerospace engineering questions, there is also a very human factor to be addressed: How do we get astronauts to a planet at least 55 million kilometers away, depending on its orbit? Such a journey might take between six months and a year and requires traveling in the highly confined environment of a spacecraft. Jack Stuster, an anthropologist and former NASA consultant, likens the trip to "climbing into a mobile home with blacked out windows – and you can't get out for six months!"

AND THEN THERE IS THE QUESTION of how humans might function on a planet whose atmosphere is almost totally devoid of oxygen but packed with other awesome challenges. As Tim Marshall notes laconically in his book *The Future of Geography*, an analysis of how space will change our world: "One of the problems the first settlers will face is that Mars is a bit chilly; at night temperatures drop to -63°C." Perhaps to soften the blow, he goes on to observe wryly, "The first humans on Mars will probably have had the builders in before" →

they move in. Robotic spacecraft will have done some of the heavy lifting, landing and construction to enable the astronauts to carry more of what they need to survive."

All in all, it is an immense challenge – one that might even seem beyond the capability of ordinary mortals. And yet, perhaps surprisingly, it does not represent wholly unknown territory. There are, in fact, some earthbound examples on which would-be Mars explorers can draw: the experiences of the so-called "Heroic Age" of polar exploration. From the end of the 19th century to around the close of World War I, nearly 20 major expeditions were launched in pursuit of scientific and geographic inquiry – and adventure. The human costs were considerable, with many of the intrepid explorers perishing in the pursuit.

FOR SCIENTISTS TODAY, the experience of these earlier explorers of unknown terrain holds valuable lessons for how astronauts might approach the challenges of a Mars mission. From recognizing how humans adjust and sustain themselves during extended periods of isolated confinement in extremely adverse physical conditions to understanding the necessary team and leadership skills needed in such situations, the polar expeditions are fertile ground for inquiry. They aren't the only ones – the experience of crews on submarines, offshore oil platforms and supertankers as well as Antarctic research stations are others – but they stand out and have become a feature of space planning.

For NASA consultant Stuster, the use of polar expeditions as a guide to space travel is not unusual. He did his first studies on the subject for the US space agency back in the 1990s and published a book, *Bold Endeavors*, drawing on that research in 2011. When "realities" are not available, he argues, "metaphors" should be deployed. Architects and engineers use scale models for ambitious projects; economists look to mathematical models; health researchers turn,

LIFE IN TRANSIT

With the travel time to Mars estimated at up to one year, explorers will need to prepare themselves for spending months in painfully close proximity to others.

not without controversy, to testing on animals. "It's the way behavioral scientists approach things when they don't have a real example," he says.

Perhaps the most critical thing is also the most prosaic: "Getting along is the most important," says Stuster. "24 hours a day they will need to be good cooperators, good teammates, good colleagues." Crew composition, or getting the right mix of skills and personalities, along with training is therefore key. "In states of isolation and confinement,

hierarchy erodes," says Stuster, which means that "leadership has to be intrinsic, charismatic. It can no longer come from title or status." Maintaining regular contact with all members of the team, providing comfort as well as guidance is critical to maintaining the solidarity that is essential in times of adversity.

THIS IS WHERE SOME FIGURES from close to a century ago come in. Ernest Henry Shackleton (1874-1922) might, in some ways, seem an unlikely role model. Born into a landowning Anglo-Irish family in the long summer of British imperial confidence, he was an Antarctic explorer who never made it to the South Pole. His ship, the *Endurance* – named for the Shackleton family motto: *fortitudine vincimus*, "by endurance we conquer" –

sank during his most famous expedition of 1914-17. At home, a series of business ventures flopped, leaving him with debts when he died of a heart attack during yet another Antarctic venture. For many decades after his death, he was the slightly forgotten member of a generation of intrepid explorers, his name overshadowed in popular perception by the likes of Robert Scott and Roald Amundsen, who raced each other to reach the South Pole, with Scott and four of the men from his party not surviving the ordeal.

And yet as a leader, particularly in times of extreme adversity, Shackleton's reputation has only grown throughout the decades, reaching well beyond the heroic accounts of braving the elements out into the lecture halls of business

"In states of isolation and confinement, leadership has to be intrinsic, charismatic."

– Jack Stuster
Anthropologist and former
NASA consultant

schools and on to management training courses. One reason for that is neatly captured in a tribute given by Raymond Priestley, a geologist and contemporary of Shackleton. Speaking to the British Science Association in 1956, he said that he admired "Scott for scientific method, Amundsen for speed and efficiency, but when disaster strikes, and all hope is gone, get down on your knees and pray for Shackleton." And indeed, even academics such as Nancy Koehn of Harvard Business School, who is the author of two books on leadership lessons by Shackleton, have identified the explorer as "a person of great relevance and emotional power" for managing and leading in times of great turbulence.

AMONG SHACKLETON'S QUALITIES that his admirers consistently point out is his attention to the conditions and morale of his team. He may have lost his ship, but all 28 members of his expedition survived the nearly 20 months that they were stranded in the ice. There's also his recognition of the need to be visible to his crew and project confidence, but also be prepared to intervene and to improvise. Underpinning this was a relentless sense of perseverance, or endurance, and what Koehn has dubbed a "great reservoir" of emotional intelligence.

As the leader of a crew that was effectively cut off from the world and left drifting in a maelstrom of →

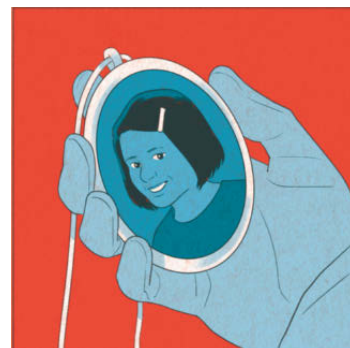
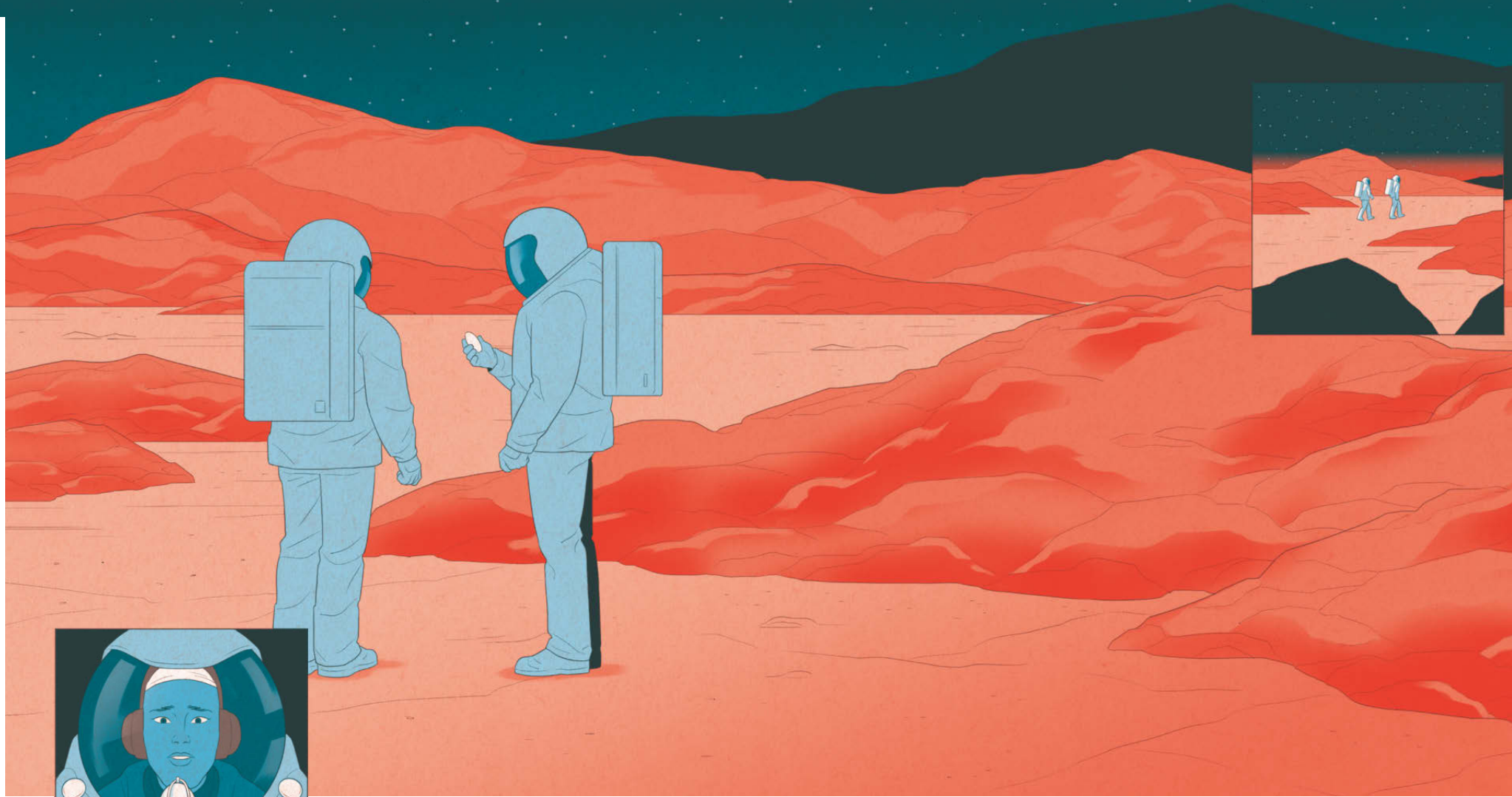


giant ice floes around the Weddell Sea, he paid great attention to drawing up the daily rosters as well as changing people's tasks and groups. Having different teammates on different assignments brought a stimulating change and encouraged relationships within and across the whole team. Gathering and cooking food was critical, but even more so in times of extreme duress – as was having some modicum of fun, little entertainments and the marking of special days such as Easter.

Shackleton certainly made some mistakes. Losing the ship was one. Yet another was sailing too fast through ice floes, as was not properly training the dogs they had brought along, meaning that they effectively became pets rather than working animals and had to be shot. But he recognized he'd messed up and moved on, adjusting to new challenges ahead. "In terms of leadership, Shackleton is still the gold standard," says Stuster.

WOULD-BE TRAVELERS TO MARS will find that the story of polar explorer Fridtjof Nansen, the Norwegian polymath, also holds relevant lessons. While his name may now largely be forgotten, Nansen's list of achievements is remarkable. He was an accomplished scientist, diplomat and humanitarian who was particularly active in the turmoil of the years immediately after World War I. Passports for refugees and stateless people carried his name and, in 1922, Nansen was awarded the Nobel Peace Prize.

But for Stuster, it's Nansen's 1893-96 polar expedition that could prove inspirational for space travel. In particular, he cites the emphasis Nansen placed on creating a comfortable environment for his team as they sought to navigate a new route to the North Pole. This included things such as a library of books and games to keep team members occupied as well as electrical lights, powered by wind. When their ship was locked in Arctic ice, he organized communal skiing for the crew to keep spirits up and



Ernest Shackleton's management lessons

Ernest Shackleton's own business ventures may not have been great successes. But when it comes to leadership skills, the British polar explorer would have left most chief executives in the shade. Nancy Koehn, the author of two books that explore the leadership lessons to be taken from Shackleton, has identified a number of distinguishing features of his management style.

BE MISSION-FOCUSED – EVEN WHEN CIRCUMSTANCES CHANGE

Or as Koehn puts it: "How do you keep steering to that True North? That's a question for every single conscientious business leader."

BE PREPARED TO IMPROVISE

When the facts change, be prepared to change – and project confidence (even if you're uncertain yourself).

DISPLAY STRONG EMOTIONAL AND SOCIAL INTELLIGENCE

Know when to be close or distant to your team, when to create distractions and moments of respite.

BE PERSISTENT AND RESILIENT

Shackleton's family motto "by endurance we conquer" translates into persistence. Even in the face of grave challenges, he never gave up.

MANAGE VITAL DETAILS

Be on top of the critical day-to-day matters. Shackleton also had an astute eye for human behavior and placed great emphasis on both engaging with individuals and developing team spirit. Koehn likens Shackleton to Henry V on the eve of the Battle of Agincourt in moving among his crew, testing the mood.

SHARE INFORMATION

Keep your team members apprised each day about what is happening.

LEARN FROM MISTAKES AND DON'T DWELL ON PAST ERRORS

Mistakes are key to the Shackleton story. He made many – but learned from them quickly and moved on. As Koehn says, many executives today get stymied by worrying about what other people might think.

LIFE ON THE RED PLANET

Once they have reached Mars, explorers will continue to navigate challenges that require emotional and social intelligence to protect the crew's resilience.

bodies active. Nansen himself wrote that the "whole secret" to a successful expedition lay "in arranging small things sensibly and especially in being careful about the food."

In terms of experiencing extreme conditions, Nansen was also no shirking, pampered executive. He spent nine months in hibernation, resting in a sleeping bag made of reindeer hide, largely living off seal blubber with nothing to read. When he and his team finally made it back to Oslo, it was, says Stuster, as if "they had come from Mars."

DESPITE ANY COMPARISONS, space is still different. Not least the effects it has on the human body, which will need to be addressed before the first astronaut ever climbs aboard a spacecraft bound for Mars, argues Stuster. He points to the impact of zero gravity on muscles, which are at risk of atrophying after months of travel through space, and the demineralization of bones as well as the exposure to radiation during a long flight. "They will all be as weak as kittens ... We need to sort that," he says, adding that "Elon Musk is kind of ignoring all that physical stuff."

For now, though, he is glad that non-techies like him have been getting a hearing. Anthropologists and psychologists have always been full of ideas, Stuster says. The problem is that businesses and governments haven't always listened. He recalls being approached by a NASA psychologist after giving a presentation who explained to him that they had been trying to convince the space organization of the importance of behavioral science – in vain. Only when it came from an outsider would they listen, which is no doubt a whole other management lesson. ■



A TÊTE-À-TÊTE WITH

Roger Martin

Renowned for decades of incisive research into management practices, Roger Martin is convinced business leaders should jettison outdated models that no longer reflect economic or social realities.

BY **Neelima Mahajan**
ILLUSTRATIONS BY **Nigel Buchanan**

In your latest book, *A New Way to Think*, you question our blind reliance on existing frameworks and models. Where are you coming from and why?

Models have various kinds of lineages and, in most cases, they were flawed models from the start. It takes a while to figure that out. All models that are dominant have some grain of truth, otherwise they would have never gotten to be dominant. The question, once you use them enough, is: Are they providing the results that you expected them to?

Is this also a function of models falling out of sync with changing realities?

Sometimes they do. A model that says we can recruit lots of people, and the cost of training them is totally justified because they're going to stay for 25 years, isn't right. The modern workforce will stay two years, not 25. You need a new model that says: If I invest in these folks, I've also got to invest in their careers in a way that compels them to stay.

The model of "you should align the interests of management and shareholders with monetary incentive compensation" was flawed from the word go: It's

just becoming more obvious over time how many problems there are with it. One of my principles of managerial life is that every game gets gamed. A bunch of Wall Street people are totally irresponsible about this ... they inside-trade, not realizing that in due course people will lose faith in the very capital markets they need to make their illicit profits. The parasite is going to kill the host.

What does our blind reliance on existing management frameworks and models say about us as leaders? We are almost automatically geared to choose from a menu of options, rather than trying to create a better one.

In management education, you are taught tools and the context for using them. In design schools, however, you're taught to create tools that don't exist. I asked Airbnb co-founder Joe Gebbia: "When you look back at your time →



AVAILABLE ONLINE
See the full video interview:
rolandberger.com/en/rogermartin



Roger Martin is the former dean of the Rotman School of Management at the University of Toronto. He was named the world's top management thinker in 2017 by the Thinkers50. A trusted strategy advisor to the CEOs of companies including Procter & Gamble, Lego and Ford, he is also the author of 13 books including 2022's *A New Way to Think: Your Guide to Superior Management Effectiveness*. Martin spoke with *Think:Act* at the Global Peter Drucker Forum.

at design school, do you think it was an interesting education?" He answered: "It was critically important. I spent four years doing nothing but being thrown a challenge to create something that does not exist and then being critiqued on it." Would a Harvard MBA say that? No.

You've been dean of a business school and you've done a lot of pioneering work in design thinking. How do you think things will change?

I hate to sound pessimistic, but it feels to me as if the design thinking movement in business schools is waning more than waxing. Professors are not interested in the subject because it doesn't fit in any of the business school fields.

Does this have anything to do with how organizations are expected to be run and that practice is sort of perpetuating?

Yes. The modern business world reveres specialization and quantitative analysis. Peter Drucker once said that there are no marketing problems, tax problems, or accounting problems – just business problems. The business world says no. One of my clients spent a billion dollars to centralize their European employees in one tax jurisdiction. Then they realized: "Oh, but to not have this reversed by the local tax authorities where we do business, our people can't travel to those countries." It was a narrow tax decision that's bad for business. A super-duper tax specialist can baffle you to death: "You can't do that – you know Section 38(B)..." I have no idea what Section 38(B) is. So, people earn linguistic control over a jurisdiction and then we have to say: "Do whatever you want." These tax people cost my client. Their salespeople can't visit customers in those countries. But we got the tax savings!

How do you tell when an existing model doesn't make sense anymore? Can you judge that beforehand?

I don't think you can judge beforehand, but you can be explicit about what you expect. You should say: "I am using this

model because I expect this outcome," and write it down. The human mind has an infinite capacity to ex-post rationalize. In war crimes trials, prison guards say: "I had no choice but to send those people to their death." That is profoundly false; but the guard's mind was able to rationalize his behavior after the fact. Because of that tendency of the human mind, it is very important to write down immediately what you think the results of the model are going to be so that when it happens, you have something to

reference against. If it is the dominant model – and unless you come up with some awesome argument to explain why it's a bad idea – try it, but predict the results. If it doesn't work for you, try again. If it doesn't work for you again, ask yourself: Is this a good model?

As a leader, you have to make sure that the models are testable and tested. When there's a dominant model, it's hard for you to say in advance: "I think this is dumb." I ask the question: "As a real human being, how is it that this

Generate strategies that break the status quo

1.

Desired output

Detail advantages and their scope, but keep a broad view. Analyzing just one possibility will not lead to productive action.

2.

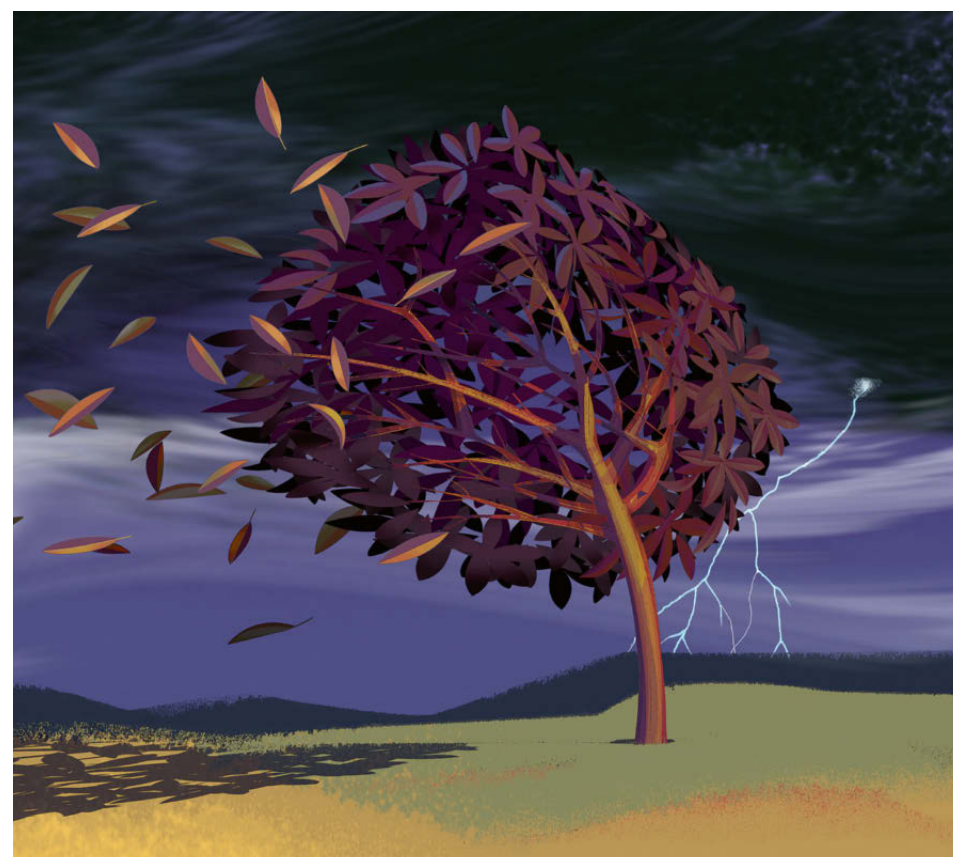
The people

A brainstorming team should be diverse and small enough to limit self-censorship. Make a lower-level insider team leader.

3.

The rules

Brainstorming is not the time for skepticism. Reframe critiques as the conditions for an idea to work in the real world.



human being will make choices of the sort we want them to make? Let's just play it through." When you play it through, you find a real human being in that position doing a set of things, not a theoretical conceptual human being.

This is why I do not like pay for performance, because if you have a pay for performance curve that goes straight up and to the right forever, then you say: "Well, that salesman arm-twisted the customer into buying too much inventory at the end of the year, so he can make his bonus." With a curve like that, how do you expect them to have a stopping mechanism? At what point is the salesman going to stop that is consistent with what you wish would happen? You have given them no stopping mechanism. You said "forever" is good and they're doing it forever. They are doing actually what you told them to do and by doing that, defrauding clients. So one problem of incentive structures is they work too well.

Do you think there is a need to reimagine the strategy-making process?

Absolutely. When it comes to strategy, I believe I do it differently than anybody else. There are strategies now in most organizations, but it's a highly analytical exercise that's designed to produce a plan, not a strategy. It's hard to understand how people think things like SWOT analysis [Strengths, Weaknesses, Opportunities and Threats] can produce something good. We should retire SWOT analysis forever because it's stupid. But it's still probably the most used way to start this strategic planning process in the world.

The pandemic has presented us with a situation for which we had no models to rely on. Do you see this as a major reset moment for management thinking?

It should be – whether or not it is going to be is a really open question. I would hope management has bigger error bars around every estimate they make. A second takeaway I wish for is the treatment

"When push comes to shove, the world figures stuff out. I think we will be more proactive and we will have a more resilient world."

– Roger Martin

of essential workers: It boggles my mind that we identify these people as essential when the economy is going into meltdown mode and then nonessential when things recover. A significant – if not vast – majority of these people are making something close to minimum wage and a bunch of them got danger pay, \$1-2 per hour, during the pandemic and after it was over, it went away. What are we thinking? I hope there is a lot more rethinking of resilience, the right mix between efficiency and resilience.

I also believe we will have to change the way we think about in-person work.



Translate new ideas into action

If an idea seems too far outside of the box, consider what has to be true rather than what currently is. In other words, the goal is to create and test a novel cause-effect hypothesis and then to identify what would have to be different for that hypothesis to work.

So many people came to the conclusion that it's better to be working from home than at the office, especially parents and people with long commutes. To me, the new rule should be "we will work in a way and from a place that is appropriate for the task at hand." If we were able to do the analysis, maybe 25% of work benefits from being in the presence of other workers.

Going back to resilience and efficiency: What kind of balance should companies be looking at in light of what happened during the pandemic?

We are going to look at 2019 as the point of the lowest buffers in, let's say, the last 100 years. Buffers for everything – time, people, equipment – will never go back to that level. And there will be all sorts of new ones, like pharmaceutical factories in North America – a buffer against a war with China and having no pharma products. There will be a real push to engineer around rare earths because China has all of them. It's like World War II. When the Japanese took over Malaysia, they took over the world's rubber supply. Six months later the allies had invented artificial rubber because otherwise their planes wouldn't have been able to take off, their Jeeps wouldn't have run. When push comes to shove, the world figures stuff out. I think we will be more proactive and we will have a more resilient world, at least in these respects. ■



Dark passions

James Cadbury, CEO of Love Cocoa, a disruptor brand that promises to produce chocolate in a more sustainable and ethical way, has a history with the industry. Although he can trade on his illustrious name, it's his vision for the future of confectionery that is the most compelling aspect of his quest for a better bar.

BY **Anthony Myers** PHOTO BY **Hilary Moore**

JAMES CADBURY FIRST BECAME AWARE of his family heritage as a child when he would see Cadbury Dairy Milk bars displayed on sweet shop counters. Yet despite the legendary name, he was far from being a shoo-in as heir to the family fortune. "As Quakers, they thought everybody should start afresh. A lot of people think I could just go to the factory and they would tell me what to do – and that I have loads of money. It's actually the opposite," Cadbury says.

In 2016, Cadbury quit a career in finance in order to found his own chocolate company called Love Cocoa. "When I started, I had no idea how to make chocolate," he freely admits. His initial idea to ship premium chocolate gifts that come in a slender envelope and not a bulky box has since grown into a quest for a better bar, emulating the innovative and ethical principles of his forefathers.

James Cadbury's great-great-great-grandfather John Cadbury and his son George practically invented the chocolate bar when, in 1850, George

ARTFUL BALANCE
Standing out in a crowded market like confectionery requires appealing to consumers' ethics as well as their appetite.

purchased a cocoa press from The Netherlands. The company went from being a small UK manufacturer to one of the world's most famous chocolate brands. It was independently owned until 2010, when it was swallowed by the multinational food giant Kraft, later Mondelez International. "I think the backbone, and things I learned from my family's legacy, was innovation and treating your staff well," says the 37-year-old.

USING PERSONAL SAVINGS and a startup loan of \$30,000 from Virgin Bank, Cadbury left his life in London's financial district to set up his own brand. Love Cocoa bars are handmade in London with a variety of unusual flavors, including gin and tonic, rose and pistachio, strawberry champagne and dark chocolate and avocado. In recent years, the bars have racked up critical acclaim and several awards.

As the young CEO of a new company, Cadbury's first test was steering through the pandemic, when he took the decision to retain his staff and →

concentrate on the direct-to-consumer business. In early 2023, he secured almost \$5 million in capital from Richard Koch, the author and entrepreneur behind venture successes such as the British coffee chain Grind, Plymouth Gin and the online betting company Betfair.

In just a little over seven years, Love Cocoa has gone from a one-man operation to a staff of 19 with revenues of \$6.4 million. In 2020, Cadbury launched his second brand, H!P Chocolate, to tap into the growing vegan trend. The entrepreneur was one of the first to use oat milk in chocolate and managed to give the product the same creamy taste and texture as the original. Previously, rice or coconut milk had served as dairy substitutes, but in many critics' and consumers' minds tasted too sweet and didn't have the mouthfeel of traditional chocolate. Development of the new vegan bar took 12 months, Cadbury recounts, until he was satisfied that the product ticked all the taste boxes, as well as fulfilled his requirements around health and environmental aspects.

BOTH BRANDS PURSUE DIFFERENT GOALS. Love Cocoa was the launch pad to help Cadbury take a stab at transforming the cocoa sector. Its supply chain has changed little from his ancestors' time and to this day struggles with a colonial legacy of farmer poverty, particularly in West Africa. H!P Chocolate, for its part, is gaining significant traction as an environmentally conscious, milk-free alternative, especially after securing a listing in Sainsbury's supermarkets in the UK in 2022.

Cadbury brings a strong set of ethical values to both brands, which have a reputation for plastic-free packaging, sustainably sourced, "slave-free" cocoa and their commitment to combating deforestation and climate change. The company became B Corp-certified in June 2023, which it describes as a "massive milestone." Love Cocoa's eco credentials have been enhanced by its "One Bar = One Tree" campaign, an initiative that aims to plant 500,000 trees in northern Cameroon. While many chocolate companies certify their sustainability efforts internally, the campaign's progress will be independently verified. Cadbury emphasizes that it was crucial to find a cocoa supplier with a transparent supply chain without any trace of child labor or deforestation abuses, which also pays its farmers a living wage.

For Cadbury, sustainability and human rights are baked into Love Cocoa's DNA. "I knew it had to be ethical and sustainable to draw on inspiration

QUALITY BAR NONE
James Cadbury launched Love Cocoa to build on the innovations and standards of his family's chocolate factory (pictured above right, 1950s) for a new generation of consumers.

from my great-great-great-grandfather. They stopped working with suppliers off an island called São Tomé because of slavery links. It was important that we found a really good supplier." He says he found such a source in Luker Chocolate, based in Colombia. The company guarantees 100% sustainability in its supply chain before the beans are shipped to Europe. Because Cadbury is a relatively small player in a market valued at \$11.23 billion in 2021, this gives Love Cocoa an advantage over the multinational companies that source their cocoa mainly from West Africa where abuses of human rights and the environment are harder to eradicate.

WITH HIS SIGHTS SET ON GROWING both brands, Cadbury expects Love Cocoa to turn a profit in the next couple of years. "Our longer-term ambition is for an IPO in five, six or seven years. I imagine it will be on a small exchange," he says. Indeed market watchers are closely following how Cadbury is trying to expand his small niche amongst giants.



Cleaning up cocoa

Making chocolate can be a dirty business. Farmers in Côte d'Ivoire, which accounts for more than 40% of the world's cocoa beans, often live on less than one dollar a day, according to the World Economic Forum. Poverty leads to child labor and causes farmers to expand into protected areas, exacerbating environmental problems.

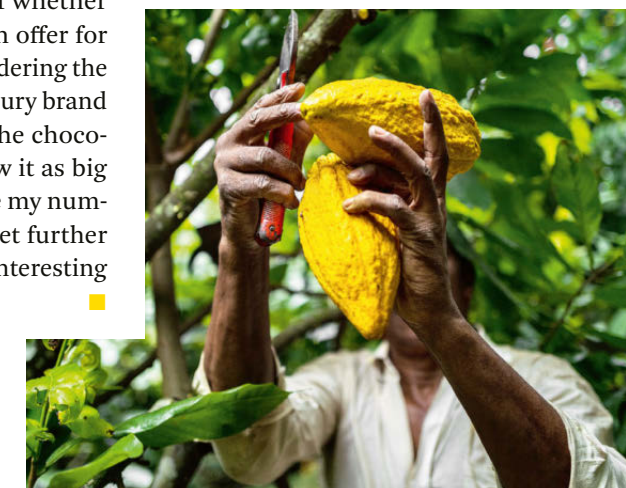
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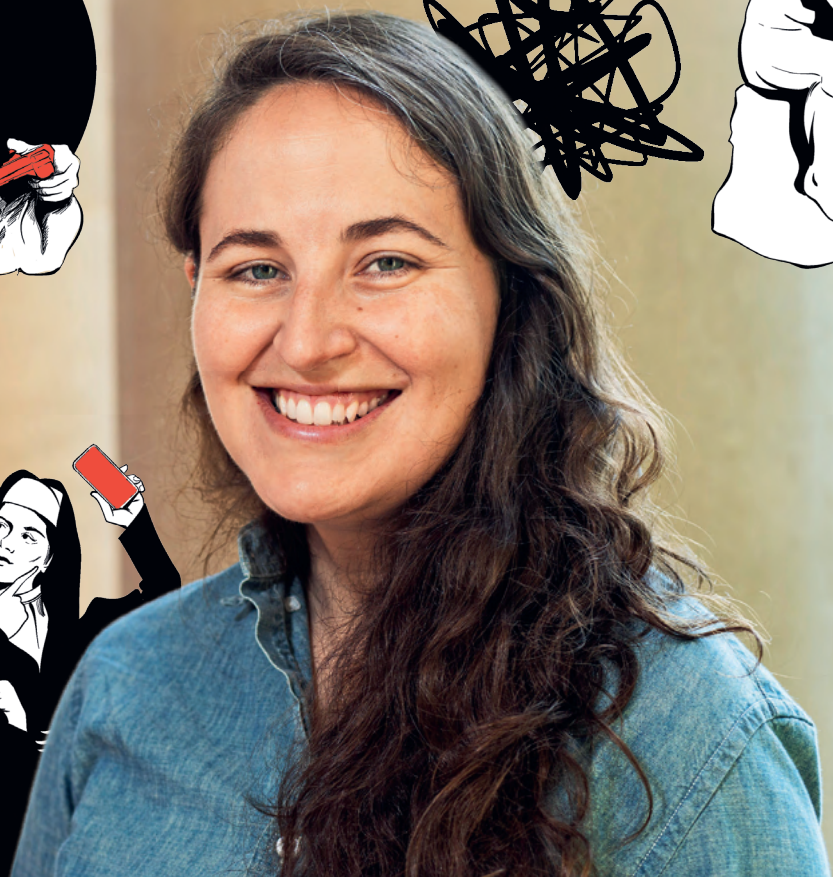
called the Harkin-Engel Protocol in 2001, the cocoa industry has been striving to clean up its supply chain, but problems persist.

Since mid-2023, large chocolate companies and cocoa suppliers must ensure full traceability in their supply chains, driven by new European Union legislation that prohibits imports of any commodities originating from protected forests. Corporations are therefore using satellite technology and mapping tools to comply. Chocolate and cocoa companies also work directly with farmers and cooperatives and are increasingly investing in agroforestry management to help growers continue toward diversifying their crops.

"Love Cocoa has swiftly made its mark on the UK's premium chocolate confectionery segment in the past few years," says Neill Barston with trade publication *Confectionery Production*. "The next major challenge comes as it moves into the fiercely competitive brand-led retail arena. It's the ultimate test in growing the business to the next level."

Validating Cadbury's business instincts, larger chocolate companies are clamoring to get in on the vegan trend and emulate brands like H!P Chocolate. Lindt, for instance, launched an oat milk chocolate bar in 2022. This raises the question of whether one of the bigger brands might make an offer for H!P. Would Cadbury sell, especially considering the bad taste left in the mouth from the Cadbury brand takeover by Mondelez International? The chocolate heir remains cautious. "If I can grow it as big as I can without that, then that would be my number one priority. But at some stage, to get further investment from outside, it could be an interesting discussion to have."





Jamie Kreiner is a history professor at the University of Georgia and author of *The Wandering Mind*.

that although some people think of TV and video games as distractions, they can also strengthen concentration, depending on the conditions. Early monks saw books in the same way. A difference is that they were more determined to do something about it. They were sure that how we think is affected not just by how we relate to our tech, but also to our social environments, bodies and culture. So, trying to fix the problem by zeroing in on "life hacks" alone was not going to cut it.

➤ **What can we learn from monks and nuns' strategies to prevent a wandering mind?** First, we've got to commit to something that is worthy of our attention. Techniques that involved thinking about thinking – basically meta-cognitive practices – were widespread in early Christian monasticism. This included simple acts, like checking in on your thinking throughout the day or reviewing it at night, or more complex work like contemplating your own death to reorient your executive functioning. These are a few of their methods that we might also try today. ■

➤ **We like to imagine a simpler past, but distraction seems perennial. Why did monks bemoan lack of focus?**

Although tech has changed, a lot of the culprits of distraction are very old. It's hard to focus when you have different priorities competing for your attention. Sometimes your body intervenes and tells you it's hungry or sleepy. You get bored and wonder what time it is. Monks complained about all this stuff.

➤ **Was our forebears' battle for concentration different from ours, or are our brains all wired the same way?**

Whether medieval or modern, distraction experiences seem to be similar. For example, researchers today have noted

Framing the fight for focus

*Battling distraction is a centuries-old affliction. Medieval historian **Jamie Kreiner** explains how holy men and women's struggle to keep concentrated offers valid lessons for our day and age.*

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