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160
2022

SustainAbilities

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IESE Business School **INSIGHT**

Where ideas and people meet

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2022

SUSTAIN ABILITIES

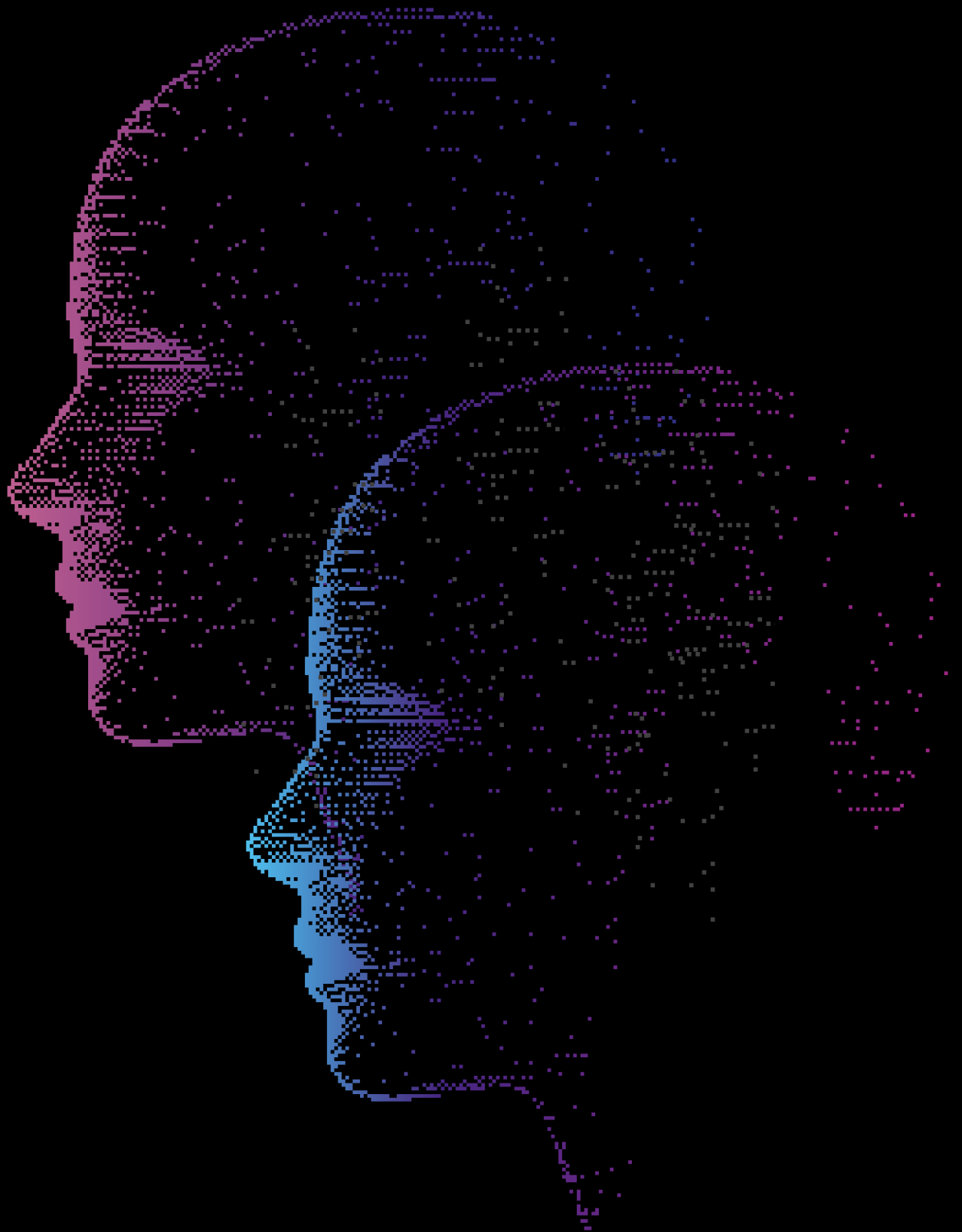
The post-pandemic era demands a new type of leader, capable of understanding, aligning, innovating and committing to build a more sustainable world.

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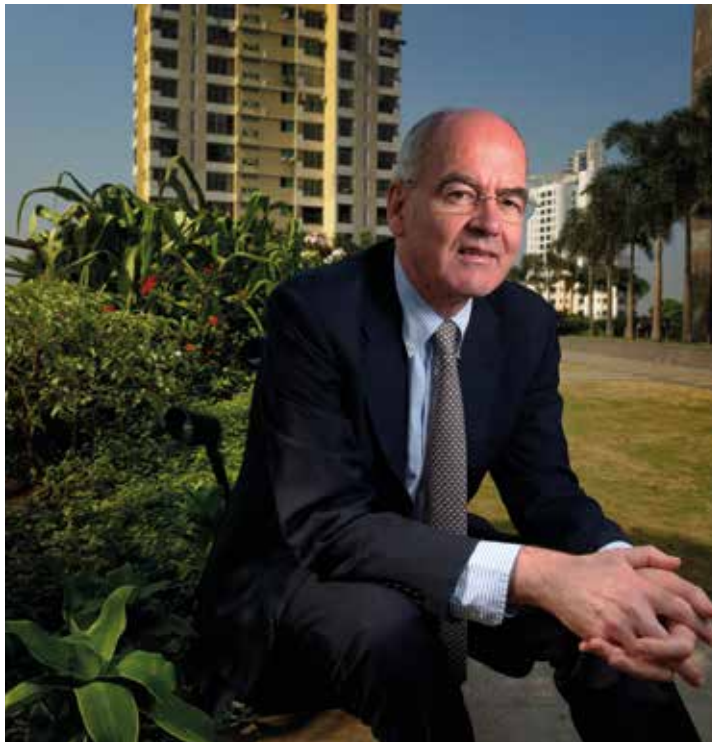
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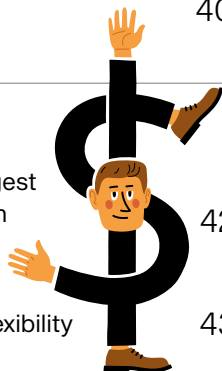
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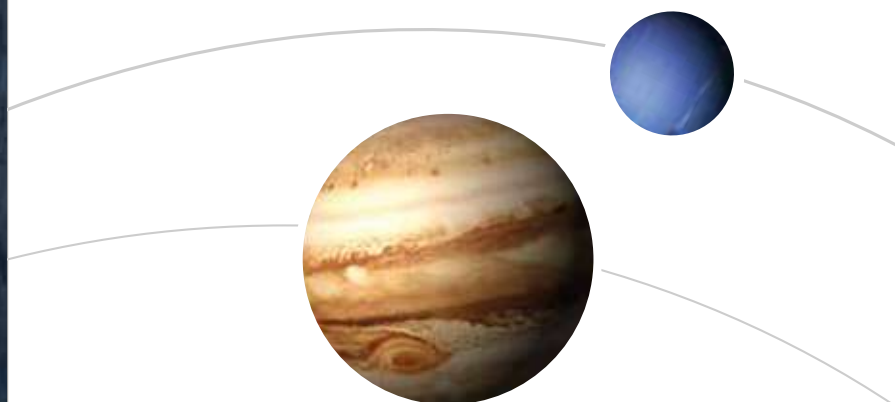
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Joan E. Ricart
Editorial Director of *IESE Business School Insight*

Building a better world

As we enter a third year of the pandemic, we see an acceleration of trends that were emerging previously, resulting in some drastic changes but also presenting new opportunities. Such shifts have always been documented by IESE, first in its *Alumni Magazine*, later with *IESE Insight*, and finally with the merger of both publications in 2018 into *IESE Business School Insight*. Under the wise leadership of Antonio Argandoña over 25 years, the editorial team brought the latest thinking and research from our faculty, highlighting the managerial implications that would help readers make a positive impact on society. We have a lot to thank Antonio for, and as the baton is passed to me as the new Editorial Director, I can assure you that we will strive to continue the level of excellence that we inherited.

Fortunately, this is a team effort, supported by a dedicated Editorial Board and faculty advisers who have faithfully served and contributed to this common project. I especially want to thank professors Carlos Garcia-Pont and Carles Vergara, who just completed their service on the board after many years. And I welcome three new board members: Francisco Iniesta, Gaizka Ormazabal and Christoph Schneider, representing Marketing, Accounting and Control, and Information Systems, respectively.



What better start to this new journey than this issue, inspired by the theme of the 2021 Global Alumni Reunion on SustainAbilities! Guided by GAR academic director Fabrizio Ferraro, the report invites us to reflect on new leadership capable of building a more sustainable world, one that will be better for future generations. The report and other sections of the magazine are full of examples, reflections and debates that should serve to stimulate thought, and then to transform those thoughts into actions.

The complex nature of sustainability makes it hard for environmental issues to be separated out from social and economic ones. This is a thread throughout the entire magazine but especially in the articles of our Know section. For example, the article by Harvard's Michael J. Sandel challenges us to rethink what it means to be a productive citizen in this age of inequality and to restore dignity to work. There will be no sustainable future until we repair the social bonds that past bad habits have broken.



Yago de la Cierva offers advice for dealing with politicized “culture war” issues, suggesting when and how we can make a contribution that opens a conversation rather than a can of worms. Then, Anna Saez de Tejada Cuenca and her coauthors share best practices from their research on managing complicated global supply chains to ensure that any outsourcing is sustainable, transparent and responsible.

“SustainAbilities” are not purely internal aspects related to what you can do as a leader; they also have a systemic dimension and are part of the new stakeholder capitalism that was the topic of the previous magazine. Together, we at *IESE Business School Insight* will continue to bring these and other key issues to the IESE community, as we all collaborate on building a better world.

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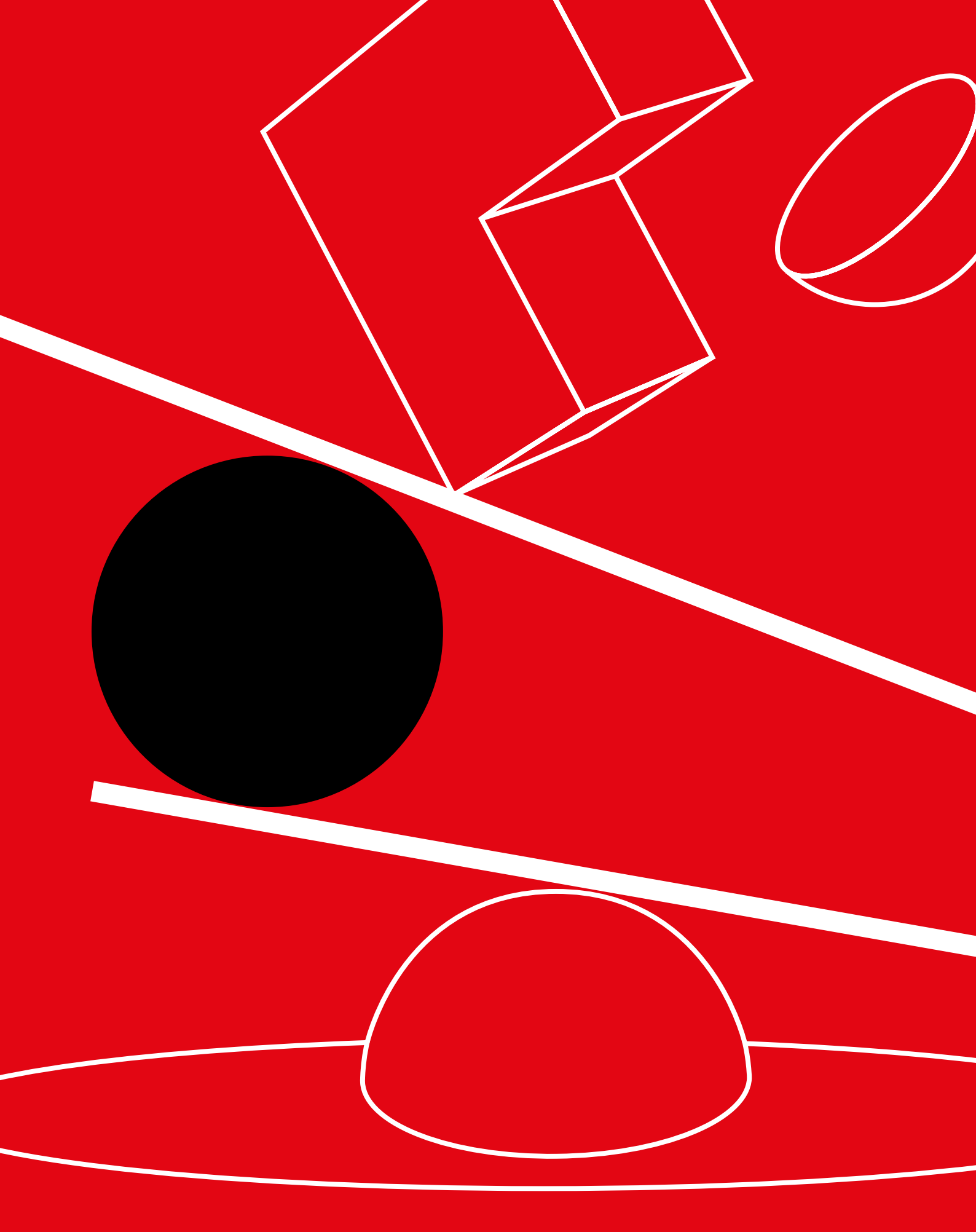
Executive Education



REPORT

Sustain abilities

The post-pandemic era demands a new type of leader, capable of understanding, aligning, innovating and committing to build a more sustainable world.



At the end of the U.N. climate summit in Glasgow on Nov. 12, 2021, activist Greta Thunberg famously tweeted: “The #COP26 is over. Here’s a brief summary: Blah, blah, blah. But the real work continues outside these halls. And we will never give up, ever.” Talk is cheap, admitted Xavier Vives, professor of Economics and Finance at IESE, writing for Project Syndicate. But sometimes “cheap talk is the first step toward agreeing on a common course of action.” And international gatherings that at least “raise awareness about the problem and potential solutions (are) better than the denialism of past years.”

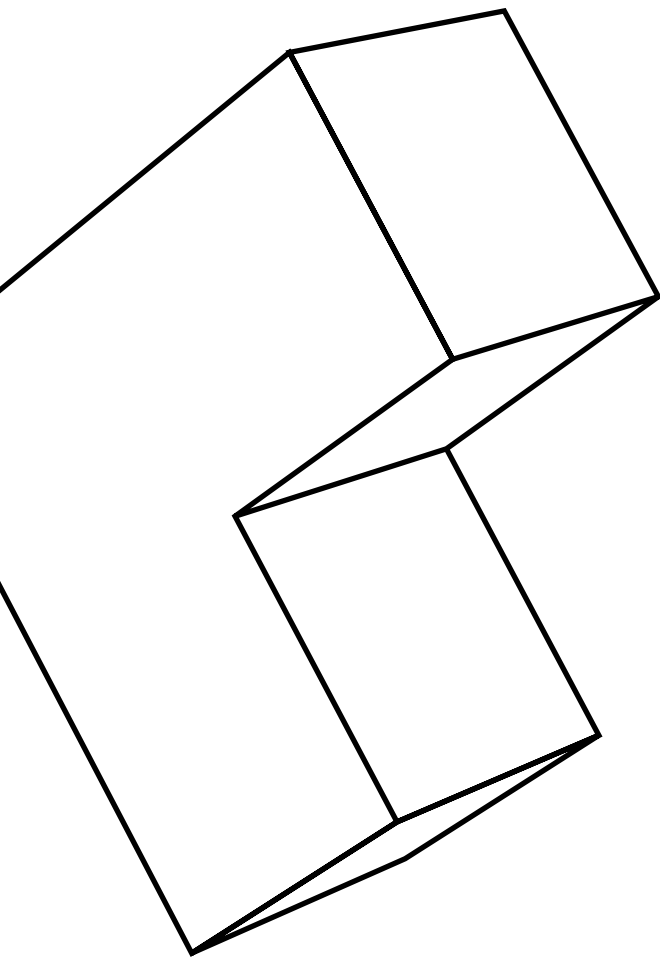
Hot on the heels of COP26 was IESE’s Global Alumni Reunion (GAR), held Nov. 11-13 on IESE’s new Madrid campus, featuring a hybrid format that enabled thousands to connect and follow

the event online, as 35 policymakers and business leaders stressed the need to put stated sustainability goals into practice. The overarching message was clear: The time for talk has ended and the time for urgent action is now. And business must take the lead, first by *understanding* the scale and scope of the challenges ahead; then *aligning* operations and stakeholders accordingly; *innovating* bold and ambitious solutions; and making clear, measurable *commitments* toward a more sustainable world.

Understand

The climate emergency requires a fundamental shift in mindset. Sustainability has moved far beyond a narrow definition of minimizing damage to the environment; instead, it’s about maximizing long-lasting positive impact on people and the planet, and rejecting short-term gains that disregard the health and lives of people and the world today and tomorrow. It’s about pursuing the common good, fighting inequality and seeking justice, not to mention planetary repair – in short, “the very things that we consider to be at the heart of good management,” says IESE Dean Franz Heukamp.

“Sustainable leadership requires every leader to think about his or her role, not only as a leader in a defined space, but also as a worldwide citizen with a longer-term impact on society and the planet,” says IESE professor Yih-Teen Lee. This echoes a point made by Inger Ashing, CEO of Save the Children International, who urges business leaders and the private sector to think about the implications of their actions on current and future generations of children, who will be affected first and worst by the climate crisis (see box).





Inger Ashing

CEO, Save the Children International

We must do better

In Save the Children's recent report, "Born into the climate crisis," research led by the Vrije Universiteit Brussel set out the devastating impact of the climate crisis on children. Using the original Paris Agreement emission reduction pledges, the data show that a child born in 2020 will experience, on average, twice as many wildfires, 2.8 times the exposure to crop failures, 2.6 times as many drought events, 2.8 times as many river floods and 6.8 times more heatwaves across their lifetimes compared with a person born in 1960. Extreme weather events are affecting children first and worst, with grave implications for the rights of current and future generations.

We know that children living in low- and middle-income countries who have done the least to contribute to climate change will bear the brunt of its impacts. For the most vulnerable – including those living through conflict, those impacted by COVID-19 and those experiencing inequality and discrimination – the reality will be even worse.

These harsh realities should serve to focus business minds on reducing emissions. Using the same modeling as before, if global warming were limited to 1.5°C above pre-industrial levels, the risk of additional exposure for children born in 2020 would significantly decrease – by 45% for heatwaves, 39% for droughts, 38% for river floods, 28% for crop failures and 10% for wildfires. Lowering the risk of exposure to extreme weather events means more children would remain in school, malnutrition would be avoided and, ultimately, the lives and futures of many of the world's most vulnerable children would be saved.

Private sector actors have key roles to play in leading the transition to sustainable, carbon-neutral economies, such as by divesting from fossil fuels and creating greener jobs. Businesses should examine the environmental

impacts of their products, actions and business relationships, particularly focusing on the effects on children. This should be done in accordance with the U.N.'s Guiding Principles on Business and Human Rights and the Children's Rights and Business Principles.

Around the world, children are standing up for their rights and for the climate, sharing their firsthand experiences, bold ideas and innovative solutions. Despite this and despite the direct and disproportionate threat they face, children are routinely excluded and overlooked in climate discussions, policies and summits. As children exercise their rights to campaign and influence change, they deserve to be included, with the respect and support of adults, in climate decision-making processes.

We invite business leaders to examine their own practices, to listen to children's views and recommendations, and to use their positions to close the climate financing gap, raise greater awareness of the climate crisis and influence others to act. Despite the overwhelming scientific, economic and moral cases, so far we are failing to do enough. Children around the world will pay the price of inaction with their lives. We must do better.

MORE INFO: "Born into the climate crisis: Why we must act now to secure children's rights" by Save the Children International (2021).

To help leaders rethink their wider roles and responsibilities, IESE has launched the Sustainable Leadership Initiative, led by IESE professor Fabrizio Ferraro. The goal is to advance interdisciplinary research on corporate strategies, business models, investment practices, accounting rules, public policies and consumer behavior. It's vital to see the big picture and understand the links between climate change, the pandemic, inequality, societal wellbeing and business success.

It's vital to see the links between climate change and business success

Recognizing that how executives and future leaders think about these issues is often shaped by what they learn in business school, IESE is taking its role as an educator seriously and making sustainability an integral part of the core curriculum across MBA and executive education programs. Also in 2021, IESE joined forces with seven other leading European business schools – Cambridge Judge, HEC Paris, Spain's IE, Switzerland's IMD, France's INSEAD, London Business School and Oxford Saïd – to form a new coalition called Business Schools for Climate Leadership (BS4CL). These B-schools together train more than 55,000 students and executives per year and boast over 400,000 alumni in key sectors around the world. These faculties will use their collective knowledge and research insights to



Mike Rosenberg

Professor of the Practice of Management,
IESE Strategic Management Department

Glasgow half full

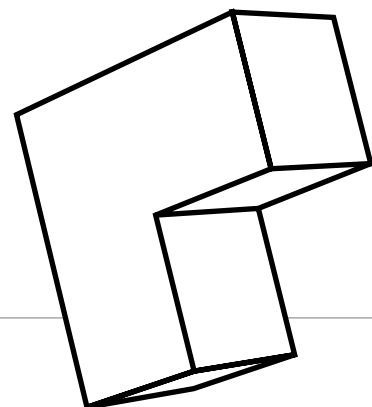
In November 2021, world leaders, CEOs and thousands of other delegates converged on Glasgow for the 26th Conference of the Parties (COP26) to the United Nations Framework Convention on Climate Change. These meetings have been going on ever since the convention was first adopted at the Earth Summit in Rio in 1992, reaching a high point at COP21 in Paris in 2015 when 195 nations agreed to reduce their carbon emissions in order to keep the average increase in global temperatures below 2°C, preferably to 1.5°C.

One problem with that agreement was that it relied on each country setting its own targets, called nationally determined contributions (NDCs), which countries revise every five years and then can adjust their commitments as necessary to achieve a global reduction in emissions over time. Taking stock after the first five-year round, we see that the sum total of the NDCs is still far from where it needs to be to avoid the worst-case scenarios of climate change. Looking at that, one could conclude that, after almost 30 years, the governments of the world have still not figured this out. Alternatively, one could say that we are getting there, slowly.

For me, the good news is that the Glasgow conference did make some progress on commitments to phase down coal, halt deforestation and put limits on methane, among a number of other measures. There was even some progress on the need for wealthier nations to finance the energy transition in developing countries, although we are still short of the \$100 billion annual investments called for at COP21 in Paris. Also important was a joint declaration by China and the United States to work together to enhance climate action.

We also saw more and more companies, cities and regional governments making their own commitments to reaching net zero by 2030 or 2035. The reason I prefer to see COP26 in Glasgow as half full, rather than half empty, is mainly because of that. As Schneider Electric's Vincent Petit writes in his book *The age of fire is over*, the transition will happen because the market will demand it. And with key technologies providing unanticipated services at lower costs, we are seeing not only the market demanding it, but companies committing themselves to leading the transition to a low-carbon economy. The transition has begun, and with it, quite possibly the largest business opportunity in history.

READ Mike Rosenberg's blog
Doing Business on the Earth at
<https://blog.iese.edu/doing-business/>



**Vivian Hunt DBE**

Senior Partner, McKinsey & Company

Businesses should serve *all* stakeholders

COP26 saw leaders and companies pledging to commit to net zero. Are their pledges sincere? We should take them at their word. Of course, the delivery won't be easy, but aspiration in itself is a good thing. As the 19th-century English poet Robert Browning wrote, "A man's reach should exceed his grasp." Or, I would add, a woman's reach.

Stakeholder capitalism puts forward that we, as business leaders, should seek to serve not just shareholders but also employees, suppliers, communities and the planet itself. How do we go about that? Truly embracing it – and by that, I mean embedding it as a core component within your business strategy – is not always easy, but the long-term benefits far outweigh the short-term costs. To execute stakeholder capitalism, companies are increasingly putting ESG concerns at the heart of their business strategies.

It is important to be rigorous in identifying actions that will continually move the needle. Look closely at each element for strategic opportunities, expanding on what you already do well. For example, in G (governance), differentiators might include better data privacy, enhanced cybersecurity protection or more board diversity. To this last point, board diversity should go beyond gender and ethnic diversity to include different skillsets and lived experiences. That way, they will represent a broader set of stakeholders, including nonprofits,

activists, community members and young people. A more diverse board will ask different – and often tougher – questions about resources, supply chains, social issues and so on. But that's good and can lead to a financially healthier and more resilient company in the future.

Those who resist the direction of change will likely find themselves on the wrong side of history *and* at a competitive disadvantage. Why? Because stakeholder capitalism is intrinsically a long-term play, and a long-term perspective is good for the best companies. Really, stakeholder capitalism is the process and inclusive growth is the result.

A more diverse board will ask different – and often tougher – questions

accelerate the business response to the climate crisis. Their first release was a climate leadership toolkit, timed to coincide with COP26, which is freely available at BS4CL.org. In it, IESE's Mike Rosenberg considers the impact of climate-driven geopolitical dynamics on business strategy.

As well as broadening and deepening executives' understanding, BS4CL illustrates another key factor for progress on sustainability: the importance of working together, even with your competitors, to advance common goals. As business leader Paul Polman noted at the launch: "Siloed thinking and institutional rivalry are our enemies in these urgent times. New partnerships are essential for bringing speed and scale to our response to the climate crisis."

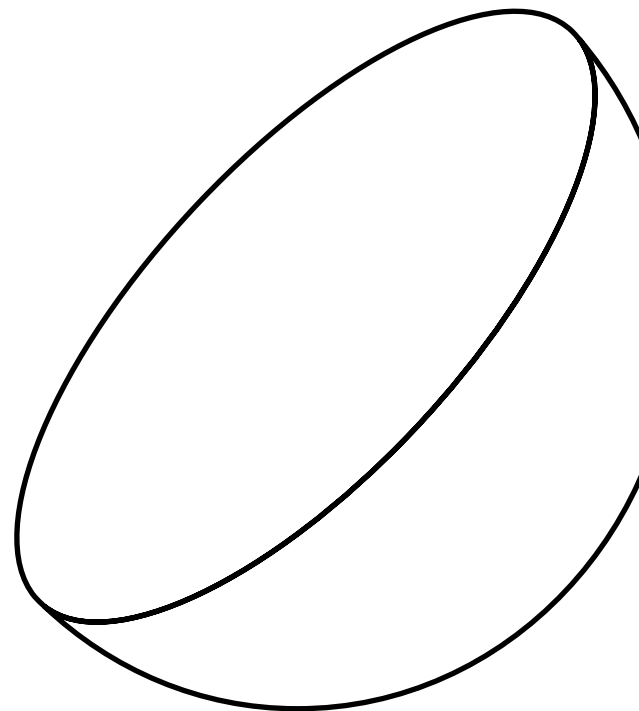
Align

The need to work in partnership with multiple stakeholders and align competing interests is paramount. "As we have seen with the pandemic, when we all come together, between the public and private sector, great things can happen and at speed," Citi CEO Jane Fraser told IESE alumni.

Collective action will be even more effective if individual companies and certain key industries each play their part. Financial institutions, for example, can serve as catalysts for transitioning businesses to cleaner technologies by financing green projects, said Fraser.

Consider the Glasgow Financial Alliance for Net Zero (GFANZ), a collection of 450 banks, insurers and investors led by U.N. climate envoy Mark

The need to work in partnership with multiple stakeholders and align competing interests is paramount



Multinationals have a greater responsibility to help finance the transition

Carney. With a combined \$130 trillion of private capital committed, this group has promised to put combating climate change at the center of its work. A GFANZ member herself, Fraser noted that her organization, Citi, has pledged \$1 trillion to sustainable finance by 2030.

“The money is here,” Carney told COP26, “but that money needs net zero-aligned projects and (then) there is a way to turn this into a very, very powerful virtuous circle.”

“The financial sector’s role in transferring resources from brown to green technologies will be crucial,” agreed Vives. And while the reason for divesting from dirty assets may be a self-interested one to lower risk rather than any moral motive, that self-interest is increasingly aligning with broader societal interests, which are progressively more attuned to the systemic risks posed by climate change.

Even in alignment, don’t expect progress to be linear. “The best course of action on climate change – whether at the government, investor or corporate level – is hardly ever going to be linear, clear and publicly lauded,” says IESE’s Ferraro. In his research with Dror Etzion (McGill University) and Joel Gehman (George Washington University),

Ferraro calls for “robust action” that keeps all actors in the game, even when their diverging interests threaten to complicate the rules. In a study of chess players, it was observed that the best players were able to pursue a strategy while being flexible enough to adapt in the face of their opponents’ moves. Likewise, Ferraro advocates for approaching grand challenges by keeping options open, even when some participants seem to be trying to block them.

Working across sectors and countries, keeping everyone engaged is key. Following COP26, Ferraro wrote: “This is a marathon, not a sprint, and we will need many more COPs to make meaningful progress, but what matters is that we keep acting, together.”

In terms of international alignment, the gap between the developed and the developing world is particularly difficult to bridge. As Fraser noted, financing should be directed to those who can’t afford the upfront costs and investments to get off the fossil fuels that are cheaper right now. We in the developed world benefit from lower costs in developing countries, making us part of the problem. This puts greater responsibility on multinationals to help finance the transition to more sustainable practices.



Ana Claver

Managing Director of Iberia, U.S. Offshore and Latin America, Robeco
President, Sustainability Committee,
CFA Society Spain

Work together for big impact

We're at a pivotal point in history and there's really no choice: If we want to have a sustainable recovery, we need to have a sustainable economy, and for that there are three conditions that need to be met.

First, we need a healthy planet. Second, wealth and wellbeing need to

be fairly shared. The protests we're seeing all over the world are ultimately about inequality, poverty and not having equal access to healthcare and a good education. Those issues need to be addressed. Third, we need to have proper governance, both at the corporate and government levels.

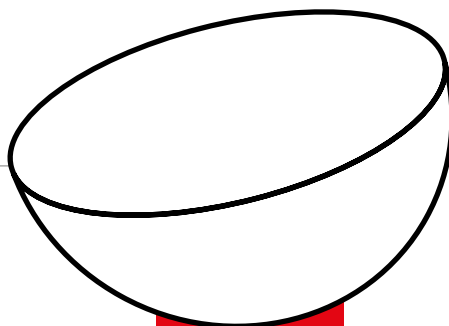
As an asset manager, we align our activities on these points. We started adopting sustainability in the mid-'90s and it has been at the core of our business since the mid-2000s. Sustainability is treated like any other value driver, and ESG criteria are fully integrated in our investment processes for all our asset classes.

Given the immediate health crisis, it's normal that leaders are focusing on that right now. But we can't just think short-term. Amid so much volatility, it's all the more important to maintain multiple contacts with clients, explaining what's going on and assuring them that you're working on their behalf, always focusing on sustainability and the long term.

It's not something that any single organization can do by itself. It requires concerted effort from investors, asset managers, governments and other stakeholders to make this happen. For example, as part of the Climate Action 100+ group, we engage with the largest greenhouse gas emitters and urge them to take necessary action on climate change, such as getting them to put climate specialists on their board and change their direction.

As one actor, you can make some difference, but it's more important to realize that if you align yourself with others, all working together toward getting wealth and wellbeing equally distributed, then you can make an even bigger difference.

Sustainability is an active decision: You have to make a choice to invest in companies that create value for all stakeholders, not only shareholders. At Robeco, we believe that all the stars are aligned for sustainable investment, and we're more committed than ever to contribute to that shift.



Innovate

Achieving sustainability in the coming decades will hinge on innovation. Companies must look for new business models, new ideas, new processes and new raw materials if they are to truly change their way of doing business. This shift is the difference between optimizing energy usage and discovering entirely new energy sources. Optimization is important but has proven to be insufficient to the task of stopping planetary degradation. Innovation may be the difference between 1.5°C and 2.5°C.

Achieving sustainability in the coming decades will hinge on innovation

“The changes that we will need to undertake to transform our economy toward more green, sustainable development are massive – much more than what we’ve been doing up to now,” says IESE professor Nuria Mas. So massive, in fact, that Mas is preparing for the possibility of what’s known as a commodities supercycle – outsized demand for certain materials – on a par with the industrialization of the U.S. in the early 20th century and the reconstruction of Europe after World War II.

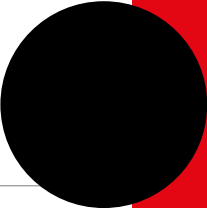


Javier Goyeneche

Founder, Ecoalf

Because there is no Planet B®

The fashion industry is one of the most polluting, based on an unsustainable business model of “buying-throwing.” But we have an opportunity to redefine the business model into a circular model through recycling and upcycling. Ecoalf was born in 2009. Both the brand name and concept came after the birth of my two sons: Alfredo and Alvaro. I wanted to create a truly sustainable fashion brand, and I believed the most sustainable thing to do was to stop using natural resources in a careless way to ensure those of the next generation. Recycling could be a solution if we were able to make a new generation of recycled products with the same quality and design as the best non-recycled ones.



We've developed over 450 recycled fabrics from different types of waste. For example:

- For our 2021-22 fall-winter collection, we recycled more than 4.5 million plastic bottles. A single-use plastic water bottle might have had less than a 30-minute life span; we recycle it and give life to a coat that can last for 30 years.
- Coffee has a lot of natural properties that are beneficial in clothing: fast drying, odor control, UV protection. We blend post-consumed coffee grains with recycled nylon or polyester to infuse our jackets with these natural properties; otherwise, you need to add chemicals to achieve the same effects.
- Fishing nets are made of the best nylon. An old fishing net can be recycled into a jacket in seven chemical steps instead of 17 steps if we had started with virgin nylon (from petrol). This process uses less water and energy, generating fewer emissions.

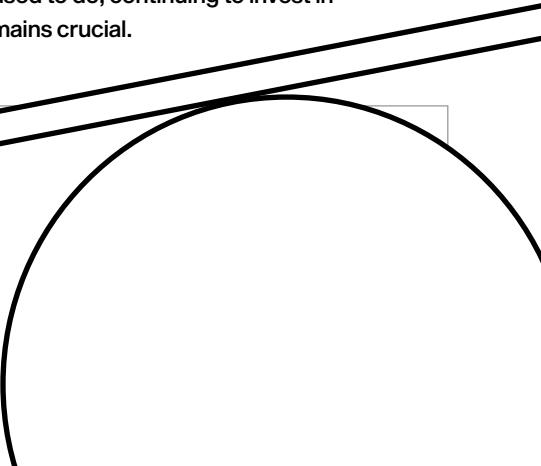
One of our most ambitious projects was born when Spanish fishermen invited me to go out fishing with them on their boat so I could witness this for myself: Every time they pulled up their nets, there was waste that got tossed back into the ocean, only to be picked up again the next day. So, I started the Ecoalf Foundation (<https://ecoalf.com/en/p/foundation-33>) and created the project Upcycling the Oceans, whereby we give fishermen waste containers, so instead of throwing it back, they bring it to port, where they drop it into bigger containers. Each

week, we collect this waste, and separate and classify it. We recycle around 68% of what we collect, around 10% of which is PET that we keep to make our ocean yarn for Ecoalf coats and sneakers. We've expanded this project to Thailand, Italy and Greece. For 2025, our goal is to have 10,000 fishermen doing this across the Mediterranean, effectively cleaning the bottom of the ocean where 75% of marine waste resides.

You may have heard the phrase "Because there is no Planet B" but not known that it's our registered trademark and it is bringing together millions around the world to be part of the change with our Ecoalf Movement. In 2018, we were the first Spanish fashion brand to become a certified B Corp.

Although we aspire to 100% circularity, we're not there yet. We need to make sure all our products are apt for future circularity – not just downcycling (to a lesser product) but true recycling or upcycling. There are tradeoffs. Sometimes we must choose between durability and circularity. Now we think circularity is more important, but since the technology is still not there in terms of chemically recycling, we also advocate for durability. And we hope consumers change their habits to consume less.

All this requires a lot of investment. While we don't put 35% of sales back into R&D like we used to do, continuing to invest in R&D remains crucial.





Govert Vroom

IESE Professor of Strategic Management

The case for collaboration

An IESE case study on WWF and Greenpeace – recently highlighted by the Financial Times Responsible Business Education Awards – explores to what degree organizations with similar environmental goals can collaborate while maintaining their distinctiveness.

Collaborating with competitors and aligning stakeholders for greater impact in areas of shared concern would seem to make sense when it comes to tackling planetary-level problems that no single actor can solve alone. That was the thinking of the two largest environmental NGOs in the world – the World

Wildlife Fund (WWF) and Greenpeace – which viewed the worsening situation in the Arctic with growing alarm. Both organizations were already present in global and local forums to establish common environmental goals and agendas, but as one remarked, “We agree on the objectives but then pursue them separately.”

Although organizations may agree on the problem, sometimes their strategies could not be more different. In 2017, a major international treaty was signed to protect the Arctic. But as frequently happens, individual government priorities subsequently shifted, putting at risk hard-won agreements. Bans on Arctic oil drilling were reversed, and some saw record-high sea temperatures as an opportunity for shorter sea-shipping routes through the Arctic. “It feels like we keep winning battles but losing the war,” despaired one activist.

Given the feeling of the clock winding down on the Arctic, both WWF and Greenpeace, in common with a growing number of other organizations, are convinced that they will need to pool resources and capabilities to effect lasting change. But how?

Before collaborating with others, it’s vital that you understand your own

unique market strategy, operational methods and organizational culture. You need to have your own purpose and values clear to ensure that whatever you decide to do collaboratively will be consistent with your core; in other words, your alignment with others must be in alignment with yourself. Being clear about that will help draw out areas of complementarity and synergy, while maintaining your integrity.

When allying with competitors, you must also be clear about your own sources of competitive advantage. This will help you advance common agendas without compromising your own competitiveness.

In the end, it’s about setting the terms of the collaboration in ways that boost the common good, without degrading any of the participant parts in the process. This is how the whole can become greater than the sum of its parts.

MORE INFO: “WWF and Greenpeace: Two Strategies to Save the Arctic Ocean” (SM-1677-E) and the associated teaching note (SMT-124-E), by IESE professor Govert Vroom, Ramon Casadesus-Masanell, Isaac Sastre Boquet and Jordan Mitchell, are available from IESE Publishing (www.iesepublishing.com) which this year celebrates its 20th anniversary. Another case by Govert Vroom, on the music streaming giant Spotify, is currently IESE Publishing’s best-selling case.



Large companies, with their resources and clout, have a particular obligation to lead innovation. In addition to investing in R&D, that means working with universities and research institutes, as well as cutting-edge startups. “Relevant companies such as ours need to move the whole sector in the direction of sustainability,” said Pablo Isla, who at the time of the GAR was the Executive Chairman of the Spanish fashion giant Inditex, which counts Zara among its stable of well-known brands.

Sustainability is prompting a radical overhaul of the fashion business, as global brands work to find new approaches to how clothing is designed, made and used. For its part, Inditex has implemented projects to reduce emissions, source new fabrics, train their teams and search for new ways of recycling on their way to circularity. Since launching its first multi-year sustainability plan in 2002, Inditex has committed to making 100% of the cotton, linen and polyester used by its brands organic, sustainable or recycled. In its stores, it uses recyclable packaging and monitors energy use. It also works with NGOs on a global take-back program to distribute used clothing to people in need. Its Join Life labeling identifies which garments are more sustainable, thereby allowing consumers to choose sustainability.

But the key to continuing to deepen its sustainability efforts is innovation in areas such as new textile recycling techniques, in the creation of new fibers with sustainable technologies, in new methodologies to improve maintenance and extend the life of garments, and in garment biodegradability.

**There’s
a huge
challenge
in R&D and
innovation to
get us closer
to zero carbon
emissions**

“There’s a huge challenge in R&D and innovation to get us closer to zero carbon emissions,” says IESE’s Rosenberg, citing the needs of heavily polluting industries such as cement, steel and glass. “In some industries, brand-new technology that has never existed before is needed.”

At Inditex, the demand for planet-friendly products comes from every level. “This is not something that we just decide at the top levels of the company,” said Isla. “It’s something that is coming from our people. Several years ago, we could say it was mainly younger people, but now sustainability is absolutely intergenerational.”

Commit

The final important step is to make commitments that are public and that have clear targets. Pledges to achieve net zero mean that what you do *today* really matters. It starts now.

In his book, *Falling in love with the future*, IESE’s Miquel Llado draws on the theory of 1,000 days (devised by his late colleague Paddy Miller) which observes that managers only stay in each of their positions an average of three years before moving on. This time constraint implies that you should use your time judiciously and be very focused to achieve your objectives within that timeframe. As seen in the half-lives of radioactive isotopes, time can deteriorate the power to enact meaningful change. This underscores the importance of taking urgent action *now* to accelerate progress toward the ambitious U.N. Sustainable Development Goals that the business world pledged to achieve by 2030. With only nine

years left, corporate leaders should not be resting on their laurels but can and should be doing more, says Ferraro.

“I’ve never seen such a consensus that we have to start acting now,” adds Rosenberg. Why? “One reason, which is very clear, is that the younger generation have said, ‘It’s not fair for us that this is happening.’ And they have really changed the conversation, not only at the U.N. but in people’s dining rooms. Another part of the story is that Mother Nature is telling us that now is the time to act.”

While now is the time to act, acting in concert on a global level is patently difficult, as evidenced by some of the watered-down commitments coming out of COP26. Still, there is progress. A promising example: the commitment by over 100 nations to cut 30% of their methane emissions. EU Commission chief Ursula von der Leyen said cutting methane was not only effective in the short term, but also “the lowest hanging fruit,” meaning it is relatively easy to accomplish by fixing leaks from natural gas lines and oil wells as well as taking other measures that are already possible with existing technology.

The low-hanging fruit is ripe for picking in so many areas that matter. Notably, there has been talk about mandatory sustainability reporting. This is a crucial step in the move from shareholder to stakeholder capitalism. To move forward efficiently, IESE’s Gaizka Ormazabal is among those urging that we start with carbon reporting, leaving the S and G of ESG standards for later.

Carbon disclosures should be mandatory for all companies. International standards are in place, thanks to the International Greenhouse Gas



Stephen Cohen

Head of EMEA, BlackRock

Committed to change

Each year, BlackRock's CEO, Larry Fink, writes a letter to the CEOs of the public companies that BlackRock is invested in on behalf of our clients. The 2020 and 2021 letters focused on how climate risk is investment risk *and* a historic investment opportunity. We see climate risk as different from other financial challenges in that it's not a short-term blip but a much more structural, long-term transition for which investors must be prepared for a significant reallocation of capital.

BlackRock's work on sustainability is rooted in our fiduciary duty to help clients understand, navigate and drive the successful management of sustainability risk in their own portfolios. In 2021, we incorporated the impacts of climate change into our Capital Market Assumptions (CMAs), which are a key building block of how we design and implement portfolios, to help clients account for the investment risks and opportunities from the energy transition to net zero. Our CMAs assume a successful transition to net zero and currently estimate a 25% cumulative gain in GDP by 2040, compared with business-as-usual.

To that end, we have built an extensive sustainable investing platform encompassing index and active funds across all asset classes, designed to help clients meet their sustainability and financial objectives.

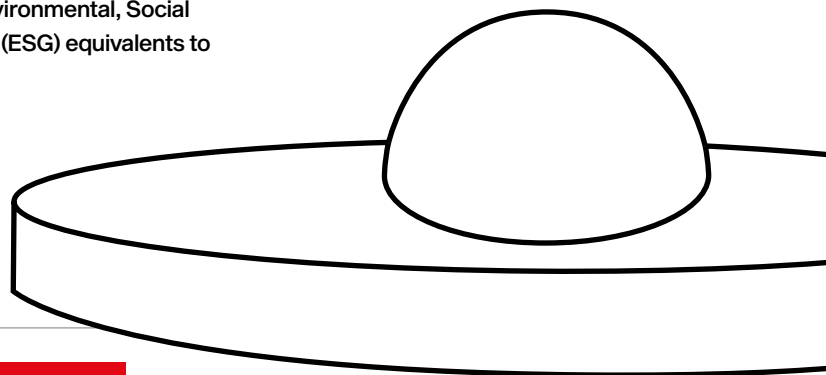
Just as investors have embraced index investing in traditional portfolios, we are providing Environmental, Social and Governance (ESG) equivalents to

our flagship products and launching innovative thematic products to further steepen the adoption of Exchange Traded Funds (ETFs). Globally we now have more than 250 sustainable mutual fund and ETF offerings.

Our broad spectrum of sustainable strategies supports our clients in achieving their investing goals, from reducing exposure to fossil fuels or minimizing carbon emissions to alignment with climate goals.

It's time to leave the term "passive investor" behind. Today's climate-concerned investors want products that actively reflect their sustainable investing goals.

READ MORE about BlackRock's commitment to sustainable investment at <https://www.blackrock.com/corporate/sustainability/committed-to-sustainability>





Jose Maria Alvarez-Pallete

Chairman and CEO, Telefónica

Put your money where your mouth is

With around half the Sustainable Development Goals requiring some sort of digital solution, a global telecom like ours has a key role to play. We believe it is our duty to take advantage of the capabilities of connectivity and digitalization, not only to bring value to our customers, but also to help tackle major challenges such as climate change, inequality, employability and misinformation.

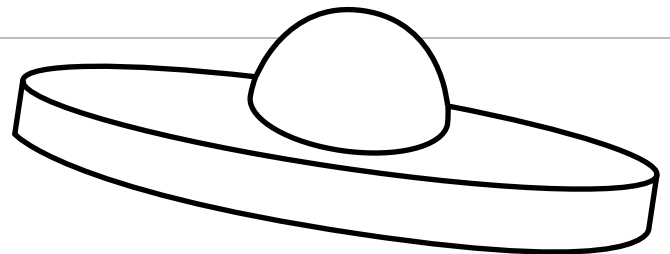
To this end, we established a corporate Responsible Business Plan, which specifies the products and services we will pursue for sustainability, privacy and security, ethics, human capital, governance, suppliers, the environment and climate change. This plan is monitored at the highest level, by the Sustainability and Quality Committee of our Board of Directors. In fact, Telefónica was the first Ibex 35 listed company to have such a board committee (since 2002). This committee oversees month-by-month implementation of the Responsible Business Plan, ensuring its reporting and compliance.


We detail our progress in an annual Integrated Management Report, prepared in accordance with the main international reporting standards: the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and the Taskforce on Climate-related Financial Disclosures (TCFD). In addition, we measure and report our impact in relation to fiscal transparency, the Sustainable Development Goals, and transparency in communications. And our efforts

are recognized by prestigious indices such as the Dow Jones Sustainability Index, the Carbon Disclosure Project and Sustainalytics.

Putting our money where our mouth is, we make customer satisfaction, gender equality, social trust and CO2 reduction part of our employees' variable remuneration. We have committed to decoupling business growth from greenhouse gas emissions and we are working to decarbonize our operations so that we can reduce our emissions by 70% by 2025 and by 90% in the four main markets of Spain, Brazil, Germany and the U.K., as well as achieve net-zero emissions by 2040 at the latest, including in our value chain. In 2021, we decided to issue green, social and/or sustainable bonds. By linking financing to projects and the sustainability targets/KPIs by which they are evaluated, we are further integrating sustainability in all business strategies and company practices.

We do all this based on the conviction that only companies that take responsibility for their actions with society and the planet will be relevant in the future.





Protocol, and they are not too onerous, even for smaller companies. This is the recommendation of Ormazabal and five coauthors in their well-argued brief, forthcoming in the *Management and Business Review*. The proposal sounds simple, which is exactly the point. The sooner they start reporting, the sooner companies can then start making direct, cross-industry, yearly comparisons, allowing them to make more rigorous predictions, and allowing investors and other stakeholders to chart progress – or lack thereof.

Although carbon disclosures are not yet mandatory in most countries, that is no excuse to avoid making such disclosures anyway. A new paper by Patrick Bolton and Marcin T. Kacperczyk finds that voluntary carbon disclosures can lower the cost of capital for companies and increase the accuracy of estimated emissions for non-disclosing firms, with positive spillover effects for society.

While there are lots of things that companies can do voluntarily to understand, align, innovate and commit to change, there's no doubt that governments also have an important role to play. "Governments need to put regulations and incentives into place to make this transformation happen, while also helping to reduce the cost of the transition as much as possible," says IESE's Nuria Mas.

"The key thing about growth, sustainability and inclusivity is that they are extremely interconnected. In the past, this has led to a negative spiral and to the situation that we find ourselves in

today. But this interconnectivity also means the converse is true: If we can succeed in making growth compatible with inclusive and sustainable development, then we can enter into a positive spiral."

"All of us will have to step up our investments and commitment," Mas adds. "But the upside of implicating so many different individual actors is that *everybody* is included, and the global benefit will be felt by *all*." ■

MORE INFO: Missed the Global Alumni Reunion or couldn't catch all the sessions? You can access the sessions on the event's official website: <https://bit.ly/3s8ZNiz>. Note that e-conferences are exclusive to Members of the Alumni Association. If you aren't yet a Member, consider activating your membership today and take advantage of the many resources made possible through membership.

WATCH: "Business trends 2022: Putting sustainability into action – now" at <https://bit.ly/3oXrZmB>

John Elkington

Founder and Chief Pollinator at Volans. Pioneer and world authority on sustainable development, earning him the moniker “the Godfather of Sustainability.” Author of 20 books, including the recent *Green Swans: The Coming Boom in Regenerative Capitalism*.



**We need
to go
faster**



CREDIT: Abhijit Bhatlekar/Mint via Getty Images

John Elkington is known for coining simple yet powerful memes – including “the triple bottom line” – which cut through the noise and become buzzwords that stick. His current job title – Chief Pollinator at Volans, a thinktank and advisory firm to drive system change – is another such example. “It made sense to me,” he explains, “because one of the signs of the accelerating collapse of natural systems around the world is the disappearance of pollinators. It reflects what I do: learning from people and spreading their lessons to others through speaking, writing and consulting.” Here, he discusses what is meant by Green Swans and why, despite foot-dragging by businesses, he remains ever hopeful.

We know about Black Swan events. What are Green Swans?

My idea for the Green Swan is that it arises out of a combination of Black Swan challenges with off-the-scale impact. While a Black Swan challenge delivers exponential problems, a Green Swan should deliver *exponential progress* in the form of economic, social and environmental value creation.

So we need to accelerate change exponentially?

Not just accelerate but accelerate the rate of acceleration. I once met Herman Kahn, the military strategist known for the nuclear strategy of mutually assured destruction. When I told him I believed climate change would be the biggest challenge of the future, he said, “The problem with you environmentalists is that you’re headed for a big chasm, and you think you can just slam on the brakes and steer away. Maybe you should be accelerating straight for the gap and see if you can make the jump.” Like an Evel Knievel stunt.

The older I get, the more I think Kahn had a point. Incremental change is no longer enough. Yes, I’d like to do it slowly and sensibly but that’s not how really big changes happen. Besides, we’ve run out of time.

Doesn’t that put business leaders in a bind?

Without a doubt. Danone’s CEO Emmanuel Faber is a case in point: He had embraced sustainability and was seen as something of a progressive among CEOs. But look at what happened to him: Activist funds started to attack Danone, saying Faber wasn’t paying enough attention to shareholders, and in March 2021 they pressured the board to remove him. A colleague of mine who has been studying these matters finds that activists are targeting companies that have pronounced sustainability positions. This demonstrates that any CEO or business leader today has to hit multiple targets and achieve multiple forms of value simultaneously – and if they don’t, they’re going to be shot down. That’s a pretty uncomfortable position to be in, but no one ever said that CEOs were going to have a comfortable time of it.

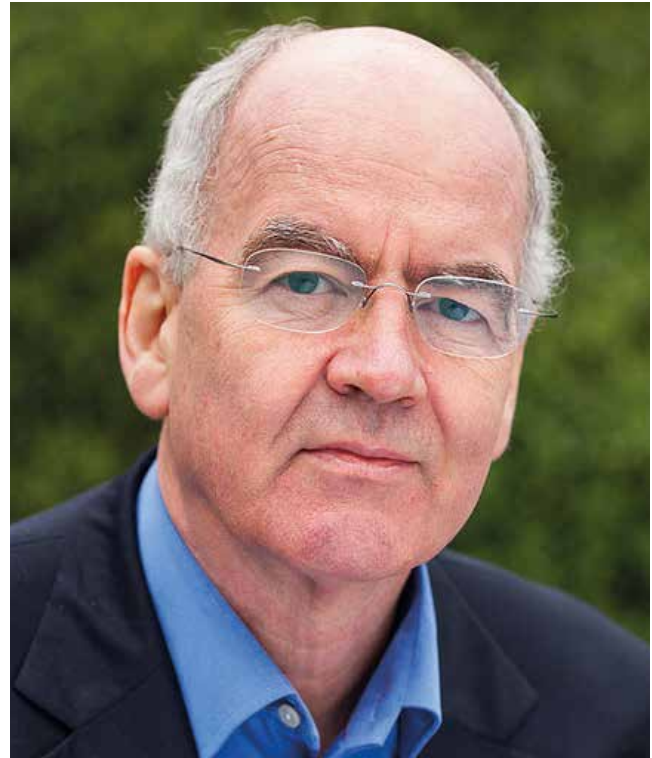
Given that, why would anyone want to take on these sorts of challenges?

I share the feeling that right now it all seems too big and overwhelming. In a survey of MBA students about the world beyond 2030, most believed it was going to take a revolution of leadership, in business and politics, to break with the old order, and they feared we were entering a serious time of crisis to get there.

Which brings me back to Green Swans: Whether in nature – where you have what evolutionary biologists call “punctuated equilibrium,” long periods of stability punctuated by short periods of rapid change – or in economics – where you have waves of creative destruction – my sense is that the next 10-15 years will see waves of creative destruction which are off-the-scale greater than anything any of us have experienced to date, maybe since the Second World War. That’s not meant to be frightening; it’s just the reality that we’re going to have to cope with.

As such, our resilience – personally as well as in our organizations and supply chains – is going to be tested quite profoundly. But out of that will come very different solutions, better than anything we can imagine today. It’s worth noting

**“The next
10-15 years
will see creative
destruction greater
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any of us have
experienced
to date”**



that in the same survey of MBAs, most were hopeful that we would come out the other side; that achieving a more sustainable world was possible. And these are the business leaders of tomorrow.

If all signs indicate a profound shift is underway, why do some companies resist?

Partly because our brains are poorly designed to think of *exponential trajectories*. RethinkX (a thinktank dedicated to forecasting the speed and scale of tech-driven disruption) believes we are entering an exponential decade – or a “gradually, then suddenly” world, as Hemingway put it when one of his characters ended up bankrupt. Everything seems to be going along fine, until it suddenly isn’t, and this tends to happen with surprising swiftness.

I remember this happened in Japan during its financial crisis in the 1990s. Many leaders resigned because they didn’t understand what was going on – things were changing too fast.

Today's incumbents are in a similar death spiral, but they are yet to realize it or replace their old ways of thinking.

Even when they do try, mistakes are made, and not just with greenwashing. The wind power industry, for example, did not think through what to do with all their unrecyclable turbine blades. They should have thought about that earlier.

Is regulation the answer?

Only partly. Unless and until we also have the intelligence systems that really expose the good and the bad of what companies are doing, companies will game regulatory systems. They will produce reports or labels or packaging that just fit into the frameworks to get a suitably high – but sometimes misleading – score, without ever addressing the real problems.

Sometimes certification systems encourage our brains to go to sleep. That's dangerous because in the next decade we're going to have to think in extraordinary ways. It's going to hit every sector, not just energy – sector after sector will be transformed.

Are there positive signs of change?

Lots. At Volans, one of the areas we're tracking is money and financial markets. There we're seeing a change in the way economics is practiced and preached, which is immensely important, as many other systemic changes won't happen without such a shift. Increasingly we're seeing female economists such as Kate Raworth (Doughnut Economics) and Mariana Mazzucato proposing new approaches to valuing the wider world and putting the right price on things.

With respect for Milton Friedman, I think the era of Friedmanite economics is coming to an end, because the myopic pursuit of profit above all else is tearing our societies apart. When even the *Financial Times* has started to say capitalism is broken, we know we're up for a reset. Walmart, believe it or not, recently committed to becoming *regenerative*, with a plan based directly on the work of the environmentalist Paul Hawken. The term *regeneration* is going to become central to the business agenda over the next few years.

“If we can share these stories and listen to each other, then we will create the learning journeys that we need to wake people up”

I could give countless other examples – innovators like Azam Alwash who has regenerated marshlands in Iraq destroyed under Saddam Hussein – which many people have never heard of, but whose stories need to be shared more widely. Science fiction, too, is encouraging, if we want to think about where all this will take us. Writers such as Liu Cixin, David Brin and Kim Stanley Robinson are imagining what might happen if we start to address our problems in an appropriate way.

I believe if we can share these stories and learn to listen to each other – getting out more when the pandemic allows and meeting people who are quite different from us – then we will create the learning journeys that we need to wake people up. I am actually more optimistic than I have been for many years because we now have the opportunity to go faster, wider, deeper and, crucially, to go a different way. ■

John Elkington appeared during the 2021 IESE Global Alumni Reunion and participated in “The Future of Capitalism” course offered by IESE and Shizenkan University, whose next edition is scheduled for early 2022.

The Blue Economy



Serial entrepreneur Gunter Pauli (pictured) believes too many green efforts by businesses to mitigate their impact on the environment are ethically insufficient: polluting less is still polluting, just like stealing less is still stealing. He came up with what he calls the Blue Economy, to stop doing less bad and start doing more good. He founded ZERI (Zero Emissions Research and Initiatives), a global network of creative minds to come up with innovative solutions to the world's problems, all inspired by nature. Many are shared in his book, *The Blue Economy: 100 innovations, 10 years, 100 million jobs*. Here we highlight one case that captures the holistic nature of his vision. It starts with a cup of coffee.

Farming mushrooms on coffee is more energy efficient, and mushrooms sprout within 3 months after seeding as opposed to 9 months on natural hardwood.

Leftovers after harvesting are enriched with amino acids and other nutrients from the process of being grown in coffee biomass. These leftovers can be fed to animals.



Harvesting, processing, roasting and brewing coffee generates 99% biomass waste.

Biomass waste emits millions of tons of methane gas.



Methane gas contributes to global warming and climate change.



Demand for mushrooms, especially Asian varieties like shiitake, is growing as consumer tastes and diets, particularly in the West, change in favor of healthier, vegetarian options.



Many green efforts go as far as here – recycling waste, changing consumption habits – but that is only tackling part of the problem. The Blue Economy wants to scale up solutions at the global, not just personal, level.



Does it work?



The business model described here is already being employed around the world in various ways, for example:

- **GRO:** www.gro-together.com/en
- **Equator Coffees:** www.equatorcoffees.com
- **Back to the Roots (BTTR):** www.backtotheroots.com



The more people eat mushrooms and consume less meat, the less land needs to be cleared for raising livestock.



The fewer animals, the less waste and methane gas.



The less methane gas, the less global warming.



The cellulose-waste business model, of which the coffee-mushroom one is a popular example, can become a new brand, where waste becomes a source of value creation.



4 guiding principles of the Blue Economy

1

Be inspired by nature

As in nature, think in terms of the entire ecosystem and its capacity to regenerate.

2

Change the rules

Rather than zero-sum games, consider a system in which the commons are truly common (and therefore free) and where everyone is given a chance.

3

Focus locally

Create value locally for reuse primarily locally, recirculating money locally and empowering local human resources, where everything and everyone is valuable.

4

Embrace change

Build resilient systems that have the capacity to evolve.

THIS NEW MODEL CREATES NEW JOBS



In ethical new cafés and restaurants



In emerging markets where there are new growers, harvesters, farmers and producers

Cafés and restaurants serve this new coffee as well as new mushroom-based delicacies, with proceeds funding more entrepreneurial ventures in this vein.

Many of these new workers are women, who are empowered with new livelihoods, trained and given new personal and professional skills, helping them to become self-sufficient and escape poverty traps and associated social ills.



This also contributes to food security, avoiding famine, disease, inequality, instability and conflict.

If this works for coffee and mushrooms, why not tea and apple orchards, or any number of other things? Go to www.theblueeconomy.org and discover 100+ other cases of breakthrough business models that bring competitive products and services to market while simultaneously building social capital and enhancing mindful living in harmony with nature. And if you would like to explore ways to put the Blue Economy philosophy into action, contact their think-and-do tank at info@theblueeconomy.org.

A case study on The Blue Economy (SM-1693-E) by IESE's Mike Rosenberg and Jean-Baptiste de Harenne is available from www.iesepublishing.com.

Gunter Pauli spoke on "Building the Blue Economy" with Mike Rosenberg during the 2021 IESE Global Alumni Reunion in Madrid.



Sustainability
is our engine
of innovation



**Enric Asuncion**

Cofounder and CEO of the electric vehicle charging company Wallbox, whose shares now trade on the New York Stock Exchange. He is pictured on IESE's new campus in Madrid, where he spoke about high-impact entrepreneurship as part of IESE's 2021 Global Alumni Reunion.

www.wallbox.com

As charging stations gain ground, gas stations' days may be numbered. Within five years, electric vehicles (EVs) will cost less to buy than fossil-fuel-powered ones, marking a turning point in the energy transition. This is the firm belief of Enric Asuncion, who, along with fellow engineer and longtime friend Eduard Castañeda, founded Wallbox in Barcelona in 2015 to prepare for an EV-filled future.

Since then, Wallbox has delivered innovative car-charging hardware (the wall-mounted boxes of their name) in over 80 countries, along with software and services to extend their reach to energy management. In October 2021, Wallbox went public in a deal that valued the young company at more than \$1.5 billion in trading. Wallbox currently employs more than 700 people on three continents and is looking to hire hundreds more as it continues its turbo-charged growth. Here, Asuncion shares his vision in a world that is giving up gasoline to go green.

Why did you leave a job at Tesla to start Wallbox?

Six years ago, when I was at Tesla, there were hardly any EVs on the road. At that point, everyone seemed to be working on electric cars or public charging stations for them. But we knew that 80% of EV charging was happening at people's homes. We saw a business opportunity in home chargers: not only are they the most convenient way to power up, they can also offer consumers the cheapest and cleanest energy. Eduard and I were talking about it at a wedding we both attended one weekend in 2015. We had always wanted to launch a project together, ever since we met at university, and right there and then we decided to create charging products to work with home power installations. I quit my job at Tesla on Monday.

The company has grown ever since. In November, Wallbox reported cumulative 2021 revenues of \$55 million, 280% higher than the same period the year before. What do you think accounts for your success so far?

I would say two things. First, the people we have met as mentors, those who had been CEOs of companies in the sector, as

well as those who know about all the things we didn't know about as engineers, including marketing and finance. Finding the right people and listening to them at each step of our project has been key. If I had the team I have today at the beginning, we couldn't have been as successful. And that's true the other way around. It's not that we're getting rid of people; we're moving talent around to be in the right place at the right time as we grow.

Second, I would say, is trying to be *best* and not the biggest company. To be a global leader in this space, we must know what is best for the company and try to do our best at all times. We have grown quickly and opened factories in Barcelona and in China, with another on the way in Texas to serve the U.S. market. However, our most important challenge is yet to come: We aim to hit \$1.2 billion in revenue in 2025.

How do you hope to achieve that?

We believe we'll be at the center of clean energy in the home. You see, when you buy an electric car, power consumption usually doubles at home. Energy management becomes very important.

“We genuinely feel that we have a very important role in the future of our planet”

Starting with our chargers and software, we enable users to collect power from the grid when it's cheapest, perhaps overnight, and when it's cleanest. In addition to charging, our solutions allow you to use your car battery to store power for your home. People may be surprised to hear that the energy stored in a single EV battery can power a house for up to four days if there's a power cut.

Then, consumers who buy electric cars are three times more likely to install solar panels. Which is why the next version of our products connect directly to solar, optimizing the management of this renewable energy. We may also offer energy plans or enable peer-to-peer energy transactions. The energy transition is opening up many possibilities in energy management.

At the same time, we are expanding our catalog in commercial (semi-public) spaces and in public charging. The European Union has proposed an effective ban on fossil-fuel-run cars by 2035 and we want to take advantage of that.

How does your position in a sector that's key to sustainability then translate into corporate strategy and its execution?

Wallbox helps customers make the transition to cleaner energy and make better use of it. At the same time, we try to lead by example: All our buildings and offices are solar-powered, with batteries for use at night. In constructing a new building, we follow the cradle-to-cradle concept, meaning that all materials are reusable and recyclable. To align our efforts at the product, policy and facilities levels, we're creating a dedicated ESG/sustainability team.

Sustainability is the great engine of our innovation. It's something I learned at Tesla: Everyone there was clear that the company had to succeed in order to make the world



more sustainable. I have tried to bring that culture and sense of purpose to Wallbox.

When Wallbox went public via a special purpose acquisition company (SPAC), you became the first company in Spain, and one of the first in Europe, to go public this way. How does this process work? And would you do it again?

Absolutely! In early 2021, we saw that a couple of our international competitors were trying to go public. The beauty of going public is that you become transparent for all. By looking at these competitors' filings with market regulators, I saw that Wallbox had more global reach, faster growth, better gross margins and more vertical integration, with our own factories and in-house design. It looked clear that we would win – but what we didn't have was the extra \$250 million that could be raised by going public. So, we pursued it.

For us, the best way to raise that much capital (over \$200 million) and attract long-term investors at the same time was via

the SPAC. The Kensington team (officially Kensington Capital Acquisition Corp. II) brought us people who understood our market and the need to think long term, as we think 97% of chargers have yet to be installed. Our sponsors at Kensington included the former CEOs of Chrysler, Lear and Thule, all experts in the automotive space.

Barcelona is one of the few places where you can hire engineers from anywhere in the world, make software and hardware, and have the suppliers to build factories; however, the access to capital is limited for startups. So, we went where the capital is: the United States. It was an expensive process because, as you said, we were the first company in Spain to go public this way. There was a lot to learn, and I hope others copy us.

In the end, it was successful, and I would do it again. We genuinely feel that we have a very important role in the future of our planet. Our success is creating the products necessary for the energy transition. ■

A man with grey hair and glasses, wearing a dark suit jacket over a light blue shirt, is seated at a wooden table. He is looking off to the side with a thoughtful expression. His hands are resting on an open notebook on the table. The background is a blurred office setting with other chairs and a window.

Tackling sustainability



Fabrizio Ferraro

Head of the Strategic Management
Department and Academic Director of the
Sustainable Leadership Initiative at IESE



CEOs are making their
voices heard.
And that's no bad thing.

Milton Friedman may have died in 2006 but his shareholder primacy doctrine – that the sole purpose of the firm and its managers should be to maximize value for shareholders – remains alive, albeit on life support. Stakeholder capitalism is slowly taking over from shareholder capitalism. This was a recurring theme in the dialogues we had with top executives and thought leaders at IESE's Global Alumni Reunion in Madrid. Whether addressing climate change and ESG investing or inequality and poverty, it has become apparent to many that to run a sustainable business today, you can't just prioritize the interests of a few shareholders; you also have to understand the needs of your many other stakeholders and make decisions that improve their welfare, too.

This shift toward stakeholder capitalism will not be easy. The sheer breadth of issues that corporations are increasingly being asked to be responsible for, and their technical complexity, represent formidable challenges for CEOs and top executives today.

To begin, corporate leaders will need to gain competence on the issues in order to understand how they may affect their strategies. In many industries, sustainability is challenging the dominant business models. Cosmetic changes aren't enough and win-win solutions cannot always be found. A deeper rethinking of the firm's purpose and strategy is needed, along with making some very courageous choices.

However, the bigger challenge is not technological, organizational or strategic – it's political. Several years ago, my IESE colleague Bruno Cassiman and I suggested that CEOs would have to face three key challenges. The first two were well underway and obvious: globalization and digitization. The third, politicization, was just starting to emerge and remains far more controversial. Noticing that the lines between public

and private were blurring, and that large corporations wielded more economic, political and legal influence and power than ever before, we argued that CEOs would have to “recognize their roles as full-fledged political actors and assume the responsibilities that go along with that.” They would need to “step up and fully own their ‘politicized’ roles ... in brokering relationships between competing stakeholder demands and unavoidable social responsibilities.”

This politicization is precisely what worried Milton Friedman in his famous 1970 *New York Times* essay in defense of shareholder value against the many voices that were suggesting business had a social responsibility. Had Friedman heard the CEOs of our recent conference, he likely would have denounced them as “unwitting puppets of the intellectual forces that have been undermining the basis of a free society,” insisting they leave environmental and social concerns to elected officials. He feared that “the doctrine of ‘social responsibility’ taken seriously would extend the scope of the political mechanism to every human activity.” On that last point, I cannot disagree. But I would question whether that is such a bad thing. (It’s worth noting that Friedman viewed social responsibility as a slippery slope toward communism, which, given all that has transpired over the past 50 years, seems an exaggeration.)

The problem with Friedman’s argument is that, on the one hand, it assumes that corporations and corporate leaders were *not* doing anything remotely political before they were asked to consider their social responsibilities; and, on the other hand, it limits political mechanisms to the workings of parliamentary democracy. According to Friedman, then, for-profit media organizations (and social media platforms) do not do politics, despite their obvious influence (some might say control) on public opinion. In reality, corporations, especially large multinationals,

Corporations have *always* been doing politics. The difference now is that they are expected to do it not in the shadows but out in the light

have *always* been doing politics. They were doing it primarily to advance and protect their own interests and those of their shareholders. And they were doing it in the shadows, primarily through backdoor lobbying. The difference now is that they are increasingly expected to do it more transparently, out in the light, in conversation with societal actors but always under democratic oversight.

We must not be naïve to the dangers of leaving important political decisions to corporate CEOs. Still, it’s better to have them involved in the critical conversations we need to have about the global challenges we face – and the possible solutions – rather than banish them from the public arena. After all, their real-world power and influence won’t be any less, only less visible. As such, when it comes to sustainability and stakeholder capitalism, I welcome CEOs’ social and political engagement, and I prefer to be optimistic about the role they can play in helping us build a better society for all. ■

A high-angle, top-down photograph of a person with dark hair, wearing a white shirt, leaning over a large, circular, white-edged opening in a light-colored tiled floor. The opening is filled with a dense, vibrant green wall of plants. The person's right arm is extended, with their hand reaching into the foliage. The surrounding floor is made of light-colored, square tiles arranged in a grid pattern. The overall composition is circular, emphasizing the opening and the person's interaction with it.

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THE BIG PICTURE

Know this before negotiating your salary

5 FACTORS TO ANALYZE BEFORE ANY NEGOTIATION



Needs *

If money is everything, then the negotiation is already set within the bounds of the high/low alternatives. However, there's usually more. Might the learning opportunity count for more? The chance to grow and the potential for promotion? A shorter commute and better quality of life? Only you know your needs. And it is in this space where the negotiation can get more creative and deadlocks can be broken.



Alternatives *

It always helps to have available alternatives, such as existing offers, to give you options.



Power

Assess what powers you could leverage, such as the desirable qualities and skills you possess, and those that set you apart from others.



References *

Make sure you have some relative reference value, such as what similar jobs pay.



Reservation price

Know your limit(s): What's your walkaway price or the condition(s) that would break the deal?

* These are the most crucial

Imagine: You've just interviewed for three jobs. Two have made salary offers – one low, one high – but the third is yet to offer a figure. To complicate matters, the third job is for a newly created position in an entirely new line of business for which there is no precedent.

How to approach this salary negotiation? What should you expect?



A job that offers good learning opportunities, leading to **better prospects and faster promotion** in an emerging field



Two firm offers elsewhere, one for \$38,000 and one for \$41,000

JOB CANDIDATE

Seen only from the job candidate's side, you would be leaving a lot of money on the table if you only agreed a salary based on the high/low alternatives presented to you. You'd ask for "At least \$41,000" or maybe even go lower if other conditions were met. This is why you need to ask:

- What are the needs of the company? How might recruiting you benefit the company strategically?
- How many alternatives does the company have if they don't recruit you right now?
- What's the maximum salary the company is willing to pay for this position?

In exploring these questions, particularly the reservation price and best alternative, you might be able to create higher value for yourself.



Ready and willing to **start soon**



\$35,000-\$40,000 is the **average salary** in my field



Won't go lower than **\$36,000** (if other needs are met)

A person who **stays for at least 1-2 years** and doesn't leave for another startup



Although experienced professionals can command \$50,000, the company **needs someone who can start within 3 weeks**, so willing to find someone less experienced but who can start soon



Remember, when entering into a negotiation, in addition to analyzing your own expectations, the other side will have done the same. The negotiation is about finding the zone of agreement, with each side not knowing the other's situation or the value assigned to each factor.

SOURCE: Based on material from *Negotiate Good, Negotiate Well: The Power of Ambidexterity* by Kandarp Mehta and Guido Stein (McGraw-Hill, 2021).

EMPLOYER

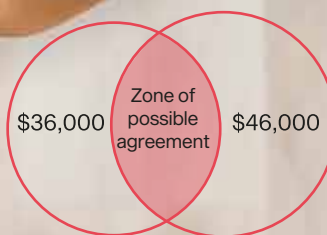
Offering a great new **learning opportunity**



\$34,500-\$38,000 is the company's internal reference, **\$45,000** is the external reference in the field where the company is moving into and **\$50,000 is the max** for experienced professionals



Prepared to pay **up to \$46,000**



Instead of \$41,000, you might land at \$42,000 plus have your other needs met besides. **So, do your homework and explore the other side's needs and expectations: Doing so is a fundamental source of power and control in a negotiation.**

A peep into the future: Automated negotiations



As the pandemic has forced more of our face-to-face interactions to be mediated via video, phone, messaging apps and email, increasingly software systems and automated agents are being used to support negotiations.

In the salary negotiation example, you might have walked away happy that you got \$36,000 but a software support system might have made a more complete analysis, controlling for all the various factors of both parties and taking the emotional component out of the process. A common mistake is framing the negotiation negatively: You worry more about possible losses than potential gains, and you assume your counterpart's interests are diametrically opposed to your own. A tech intermediary can serve to neutralize some of these mindsets.

In any case, ask yourself:

- 1 Is it better for an automated agent or a human being to negotiate in this situation?
- 2 How can this tool help me: in the preparation phase? In the offer/counteroffer phase? In presenting alternatives and the consequences of different decisions?
- 3 What biases might be programmed into the system? For example, if the parameters are set according to high/low alternatives rather than taking account of individual expectations and needs, then the negotiation may be limited.
- 4 How can this tool be used to overcome blocks and open new paths to continue negotiating?

Unlocking innovation

Sometimes the greatest inventions take time. Two lines of research suggest ways to unblock the bottlenecks.

Three decades since gene therapy was heralded as a game-changer, meaningful commercialization of most gene therapies is still years away. Gene therapy is an example of an emerging innovation that we call “highly uncertain.” Self-driving cars would be another. But “uncertainty” has many components. And for managers, being able to unbundle the sources of uncertainty and how they interact can help to release an innovation’s untapped potential and ensure its progress. If done well, this unbundling of uncertainty can help managers move beyond simplistic considerations (“Will the technology work?”) and begin to treat uncertainty in more holistic terms, identifying the different sources of uncertainty and the potential interactions between them. By *sensing* which area may be acting as the primary bottleneck, managers can then take a more structured, targeted approach toward resolving uncertainty at the source, thereby *seizing* new innovation opportunities in times of rapid change.

Thomas Klueter et al.

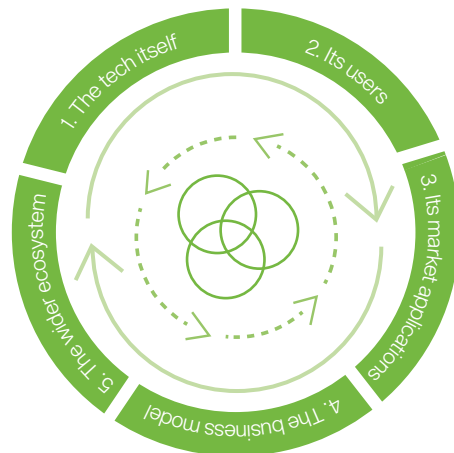
“Unbundling and managing uncertainty surrounding emerging technologies”
Strategy Science

<https://doi.org/10.1287/stsc.2020.0118>



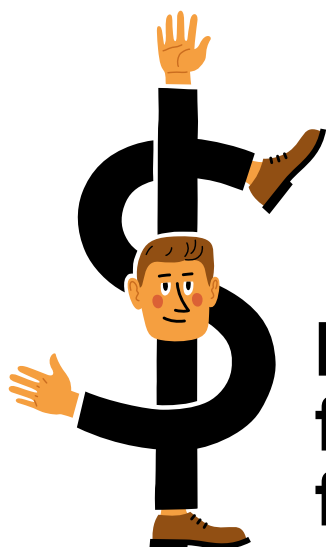
5 sources of uncertainty

Analyze how these factors interact: in a **reciprocal**, **sequential** or **pooled** way



By going through the above exercise, managers can better identify:

- When new technologies will successfully emerge and evolve.
- How firms might be able to take advantage of the opportunities presented by these technologies.
- How interactions may shape the resolution of uncertainty.
- The resources and coordination required for ensuring technological progress.



Learning from flexibility

Separate research suggests that managers should seek out breakthrough technologies from big science labs, aided by programs that help systematize “serendipity,” which might be loosely defined as “looking for lucky breaks or happy accidents.” Like gene therapy, innovative technologies such as radiotherapy, touchscreens and even the World Wide Web were first discovered in big labs, but they may take decades before commercial applications are found. To help move deep tech out of the lab and into the market, the EU’s ATTRACT initiative provides time-limited funding to spur labs’ commercialization efforts. Managers would do well to take advantage of such programs and speed the commercialization of the next revolutionary technology. Both of these lines of research contain useful insights for managers to move innovation out of the realm of theory and put it into practice.

Laia Pujol et al.



“Systematizing serendipity for big science infrastructures: The ATTRACT project”
Technovation

<https://doi.org/10.1016/j.technovation.2021.102374>

Take a factory producing two cars, Model X and Model Y. As demand for X vs. Y goes up or down, having the ability to shift capacity to where it’s needed at the time can help mitigate risks and maximize profits. The benefits of such flexibility have been well established, especially where higher profit margins justify higher capex.

But what about in fast-paced business environments where margins are slimmer and where demand may not be so easy to detect? Whenever sales data are not reflecting the real underlying demand but rather the extent to which capacity is available, we’re looking at censored data that ignores lost sales. Increasing capacity to meet peak demand may be possible, but many companies prefer not to, since that can be very costly, especially in a rapidly fluctuating market and when profit margins are moderate or lower. So, in the resulting tradeoff, sales may be sacrificed.

This points to the need to learn from your resource flexibility, so that you’re not censoring important data but allowing for more knowledge of the true demand. When production can be shifted as the market demands, the actual demand can be understood faster. That, in turn, gives better predictive abilities. And with better insight, better capacity investments can be made in real time, leading to higher profitability.

Mihalis Markakis et al.



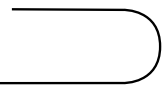
“On the learning benefits of resource flexibility”
Management Science

<http://dx.doi.org/10.2139/ssrn.3212177>

+IESE

Takeshi Niinami

President and CEO of Suntory Holdings
Member of IESE's International
Advisory Board



“Harmony with people and nature is in our DNA”

“It can be tough running a huge supertanker and trying to turn it in the right direction,” says Takeshi (Tak) Niinami, President and CEO of Suntory Holdings, one of the world’s leading consumer products and beverage companies. “Our philosophy is simple: Giving back to society ensures our license to operate.” Here, Niinami talks about his idea of giving back and the importance of partnership to be sustainable *and* profitable.

Does being a family-owned company make it easier to pursue sustainability?

We’re lucky in that Suntory’s founder, Shinjiro Torii, was committed to the idea of giving back to society, so the idea of sustainability has been in our corporate DNA since 1899.

But there are challenges. Sustainability can be expensive. And when we say we have a duty to all our stakeholders, that includes our shareholders. If the shareholders don’t trust the CEO to deliver results,

they will soon take away his license to operate on behalf of the company. So, the CEO is required to strike a careful balance.

In general, short-term results may be enough for shareholders, but they’re not enough for employees. Money alone doesn’t motivate the best talent. People need a purpose. They want to feel they’re contributing to society. A CEO also needs to satisfy that need, because a company can’t achieve results without the support and engagement of its employees.

It’s a constant balancing act, finding ways to meet multiple targets simultaneously. Some shareholder pressure is good in order to make sure you are performing financially. But real profitability comes from finding solutions to stakeholder needs. Gaining the trust of our stakeholders is extremely important to keeping our license to operate. That was the first thing I had to deal with when I became CEO of Suntory in 2014.

How do you motivate employees for sustainability?

We believe it's important that all employees share the same understanding of Suntory's founding spirit. That's why I established Suntory University to enable free access to every employee globally to take time to understand our mission, vision and values. In addition, we encourage our employees to take part in Suntory's sustainability initiatives, such as going into the forests to experience watershed restoration programs, so they can feel and understand the Suntory way of sustainability in their bones.

How do you deal with suppliers?

The pandemic placed huge financial restraints on some of our smaller suppliers and, for them, the priority is to survive. For some SMEs, talk of reducing emissions seems like a luxury that few can afford right now. I understand the difficult position they're in. But the pandemic also raised new, important issues, forcing us to reconsider what "abundance" genuinely means for people living today. Frequent natural disasters, on top of the pandemic, are warning signs to our



CREDIT: Jan Buus

**“Now is the time
to dream big
and take bold
steps toward
a society that
creates harmony
with people and
nature”**

post-industrial societies and economies. Now is precisely the time for us to embrace our founder's motto of *Yatte Minahare* – to dream big, rise to the challenge and take bold steps toward a society that creates harmony with people and nature, where social and economic growth coexist with the sustainability of the natural environment.

What we can do, as a large company with resources, is to provide support to our smaller suppliers. As a company, you can either refuse to work with any supplier that doesn't comply with every single environmental goal, or you can take a softer approach, which is what we tend to do, working together with suppliers to try to bring them along, rather than exclude them. Thanks to us having a large portfolio, we are able to balance out the bad with the good.

That being said, sustainability goals can't be achieved overnight. It takes persistence, and we have to be fully transparent

and honest with our stakeholders with regard to where we are and how we intend to bridge the gaps to get to where we want to be. In the current sociopolitical climate, companies that aren't building trust with their stakeholders run the very real risk of quickly losing their license to operate.

Often, the solution requires investing in new technologies, and technology is expensive. For that reason, companies may increasingly find themselves having to partner with others across the industry – even with their own competitors – to achieve economies of scale.

In what ways do you cooperate rather than compete?

In our case, we established a joint venture across industries to develop recycling technologies for used plastics. We're also investing in plastic recycling technology.

The idea of pooling resources is powerful because, at the end of the day, all parties are anxious about costs. We can't easily pass all the costs on to the consumer. Not every consumer is a green consumer, unfortunately; and the reality is that not everyone can afford to be. So, we have to shake hands with competitors to reduce costs via economies of scale rather than pass those costs on to the consumer.

How easy is it to have that conversation with competitors?

Cooperation versus competition is always a delicate balance – more so now that sustainability has become a core part of most companies' strategies. Everyone wants to be recognized as a sustainable company, and no one wants to be outdone by their competitors on their sustainability initiatives, especially when you're vying to earn consumer trust in the same space. This disincentivizes some from shaking hands with competitors. But it's a tradeoff that must be addressed and resolved for the sake of making collective progress on sustainability goals.

What's the role of public policy in making progress?

The government has to regulate some things, like carbon neutrality. Companies favor having a clear, predictable environment in which to do business. And for that, public policy and worldwide rules are necessary, to guarantee the level playing field in which innovation can happen.

The European Union has certainly been a regulatory first mover in leading discussions and setting standards on the direction of sustainability. However, each country has a unique situation and requires unique solutions rather than an all-or-nothing, one-size-fits-all approach, in line with the Sustainable Development Goals' principle of "no one left behind." Most Asian countries rely heavily on fossil fuels for energy, and that can't be changed overnight. They're also experiencing growth, and consumers in those countries naturally want to take advantage of the benefits of that growth, many for the first time.

As such, I think there needs to be graduated transition planning and more time to convince consumers in those countries. The more we collaborate across industries and partner with global competitors, the more we can accelerate the transition, rather than simply passing the costs on to consumers and making sustainability a burden for them.

What is Japan's role?

Asia is a big player when it comes to sustainability, so the world cannot achieve climate goals without the quick and effective action of Asian countries. Japan needs to leverage its technology and soft power to communicate with all Asian countries and drive change faster in Asia. When it comes to sustainability and the global environment, I believe that Japanese people have the value of coexisting with nature in their DNA.

To be a global company, you need to have a very clearly defined sense of who you are. And in that regard I think Suntory does have a strong base at the core of its management philosophy from which to step out into the world, deliver good products that bring joy to consumers, and simultaneously contribute to global sustainability. ■

Takeshi Niinami appeared during the 2021 IESE Global Alumni Reunion and participated in "The Future of Capitalism" course offered by IESE and Shizenkan University, whose next edition is scheduled for early 2022.

GROWTH IN HUMAN TERMS

Human development – developing our human capabilities – is at the heart of the work of the award-winning economist and philosopher Amartya Sen.

In this conversation, Sen underscores the importance of learning and communicating for advancing society.

Indian economist and philosopher Amartya Sen needs little introduction. His theories of human development and the underlying mechanisms of poverty and famine have contributed to the global fight against injustice, inequality, disease and ignorance. His contributions to welfare economics earned him the Nobel Memorial Prize in Economic Sciences in 1998. His thinking has inspired policies at the United Nations, Oxfam and the World Bank, and informed the work of other Nobel Laureates. In 2021, he received Spain's prestigious Princess of Asturias Award for Social Sciences. On that occasion, IESE's Marta Elvira spoke with him about the concepts that have driven his life's work and educational mission. Here we present excerpts from their conversation.

***Development as Freedom*, the title of your 1999 book, is such an important concept of yours. How does “development as freedom” differ from other approaches to development?**

“Development” has often been conflated with the growth of GDP. But a country could have high GDP growth and yet not have the kind of satisfactory performance for other aspects

of human development. We do want higher incomes, of course, but not *only* higher incomes. We also want better educational facilities, better healthcare, better communication with each other, better literature, better art, and all the other things that make life valuable.

My reference to “freedom” is an attempt to capture that broader notion of development, in contrast with the usual, narrowly defined economic goals. This freedom is an ambitious goal, because it includes many things relating to developing our human capabilities, such as freedom from illness and freedom from illiteracy, the advancement of which is good for individuals as well as for the societies in which those individuals live.

In terms of measuring development outside of the narrow scope of GDP, nowadays we have a lot more data availability. How useful are that data for enriching traditional models of development?

What we know about a collectivity of people depends on a detailed understanding of what they do. Is there a lot of



Amartya Sen

Born in Bengal (now West Bengal, India) in 1933, Sen received his PhD from Trinity College, Cambridge, where he later became Master. He is currently Thomas W. Lamont University Professor and Professor of Economics and Philosophy at Harvard.



CREDIT: Sergio Elvira Antón

Marta Elvira interviewed Amartya Sen in her role as secretary and member of the Jury for Spain's prestigious Princess of Asturias Award for Social Sciences. She is a professor in IESE's departments of Strategic Management and Managing People in Organizations, holder of the Chair of Family-Owned Business and a member of the IESE Madrid Executive Committee. Her two main lines of research are social inequality and human capital development; and how family-owned businesses act as economic drivers through their environmental, social and governance (ESG) processes.

Follow her Family Business blog on <https://blog.iese.edu/family-business/>

crime? Is there illiteracy? Are people often arrested without justified cause, as happens in authoritarian regimes? Together, these things form a totality of concern. So, the issue of data is central.

When we don't have such data, it makes it very difficult for us to form a judgment about that society. Conversely, any broadening of the data will help us to learn more about a society and, ultimately, more about ourselves, to really understand what is going on in the world and to try to improve conditions.

That speaks to why international organizations have used your work to help measure and set goals for human development – namely, the U.N.'s Human Development Index and its Sustainable Development Goals – which go beyond purely economic progress to other matters of realizing human capabilities. This leads me to my next question on the value of learning and education, which has been fundamental to all your work. How do you view the incentive toward learning – crucial for personal as well as economic development, as you note – in a future where jobs may be automated and scarce?

Many decades ago, we ran night schools at the edge of some settlements in India. In those days, people had very little opportunity for education. There were no schools. It really was a vacuum. We would go out around 6 or 7 o'clock with some lanterns and we had the boxes from international aid organizations that food shipments had come in. We used those boxes as chairs and tables. We were aiming for success. And while we didn't always achieve it, it was very rewarding when children managed to learn the alphabet, how to compose prose and to do elementary arithmetic. It was satisfying to feel like you had been instrumental in that. In many ways, the credit belongs to human beings' facility for learning. It's remarkable how malleable that human capability is, given the right conditions.

When I was in school and running schools myself, what struck me was that the incentive to learn comes quite quickly in an endogenous way, from inside you. We see that when people can read and write and do arithmetic, they are not

“Broad learning and education in the arts and humanities could definitely help effect positive social change”

as afraid of being deceived. An incentive structure may be connected with getting a job and earning an income, but it could also be connected with an inner compulsion: It's what we want to do.

You mentioned earlier that we want better art and literature. Yet, there is, at least in some societies, a decline in the prestige of the humanities. Do you think the humanities should be taken more seriously as a tool for social change?

Yes, indeed! The arts and humanities complement what might otherwise be a more scientific approach to life. And quite often it takes a political form. When you look at a piece of art like Picasso's *Guernica*, for example, it teaches you something without the need for words, because that is how human communication works. So, broad learning and education in the arts and humanities could definitely help effect positive social change.

To what extent have the humanities influenced your own ethical and political reflections?

Philosophy addresses universal questions that have come up time and again in the minds of all people, whether it be Euclid or Aristotle from ancient Greece, or thinkers from other countries, whether Spain and Portugal or India, China and Japan. Spain, for example, has benefited from its own ancient tradition and Western tradition, but also from the influence of Islam and the Jewish communities that came to Spain, each making their own contribution to ethical considerations. These different philosophical perspectives allow for a richer understanding of the human being within different economic and political systems.

The full list of 2021 Princess of Asturias Award recipients

Besides Amartya Sen (for Social Sciences), Teresa Perales received the 2021 Award for Sports. Perales was featured in *IESE Business School Insight* #157.

The rest of the recipients are:

- Marina Abramović (Arts)
- Gloria Steinem (Communication and Humanities)
- José Andrés and the NGO World Central Kitchen (Concord)
- CAMFED, Campaign for Female Education (International Cooperation)
- Katalin Karikó, Drew Weissman, Philip Felgner, Uğur Şahin, Özlem Türeci, Derrick Rossi and Sarah Gilbert (Technical & Scientific Research)
- Emmanuel Carrère (Literature)

Michael J. Sandel, also featured in this magazine, was honored for Social Sciences in 2018.



“We have reason to be grateful for the human capacity for migration and for conversation”

Likewise, economics can inform moral perspectives. For example, early Muslims – not conquerors but traders – came to the east coast of India and brought some of their own understanding of the nature of the world to the region. In India, such interdependence is central to human learning, yet how easily we forget the way culture and civilization have moved from one country to another. We have reason to be grateful for the human capacity for migration and for conversation.

What are your thoughts on the current strain of populism, which often takes aim at migration and the free movement of people across borders?

Much progress has come from people traveling. If the United States has been successful as an economy, a lot of that is connected to it being an immigration culture. Spain, generally, has been kind to immigrants, and you see that also in the history of the country.

Sometimes, issues arise, like if you have a large number of immigrants, you might feel that the domestic opportunities are hard to create. It's a question of making a judgment. These things are not stationary. There are problems that one has to address. But the world is one rich civilization with many parts, and immigration can be a great source of broadening the world.

In your work, you place a lot of emphasis on conversation between different peoples. This is a theme in your new memoir *Home in the World*. And yet, with the internet and Twitter debates, we have seen how conversation has the capacity to divide and erode trust in our democracies.

The 19th century British economist and philosopher John Stuart Mill observed that democracy was governing through discussion, not just voting, which comes after discussion. Whether you are conservative, liberal or independent, the underlying compulsion for democracy is a genuine need to talk with each other.

We sometimes overlook how recent speech is. Human beings didn't speak very much at all until quite recently in human history. Then, it emerged we could talk to each other, say things to each other, contradict each other, support each other, entertain each other, write poetry for each other, write letters and convey our concerns to each other. Democracy would have been impossible if people did not have that powerful desire to talk to each other.

Many years ago, I wrote that no famine has ever taken place in a democratic country. As long as speech is free and people can talk to each other and elections exist, you won't have people dying of famine. Why not? Famines very rarely affect more than 5% to 15% of a population. But if people are dying because of bad governing, what may have begun with a small minority of people affected directly by famine can turn into a large-scale revolt involving 60%, 70%, 80% of the population. That is because of discussions, commentaries, poetry and art which move people to see the suffering and shameful injustices.

We need to learn that, so long as parties remain at the table, willing to have a conversation, and so long as one human being takes an interest in the life of another, democracy will continue to exist in our societies as a preventive force against various types of evil. ■

WATCH: The full interview “A conversation with Amartya Sen” with IESE’s Marta Elvira can be viewed here:
<https://www.fpa.es/multimedia-en/online-event>

READ: *Home in the World: A Memoir* by Amartya Sen (published in the U.K. in July 2021, published in the U.S. in January 2022).

TRANSFORMING THE WORLD

Indian social entrepreneur **Gopala Krishnan** aims to improve the health of his nation by leveraging the capabilities of others.

The pandemic has forced many people to take stock of their lives, but for Gopala Krishnan – or G.K. as everybody calls him – it was a different personal health scare 13 years ago that made him stop and change direction.

Running a mobile media company in China and India, he suddenly decided to “quit the corporate club. I started getting conscious about my health, exercising, and checking food labels.” What he saw on those labels startled him and led him down a very different path. Today, he is a social entrepreneur with bold ambitions: to transform the health of millions of women and children in India. It seems a Herculean task in a country where two-thirds of the population live on less than \$2 a day and where COVID-19 has pushed an estimated 75 million more people into poverty, reversing the progress of recent years. Yet G.K. believes he may have cracked the code on a model that works for delivering large-scale impact.

It all started with a humble loaf of bread. In researching what all the chemicals were on the label, G.K. discovered one was potassium bromate, a bleaching agent that had been banned in the U.K. and E.U. for years. “I saw a food toxicity problem for millions of people every day. I wasn’t an activist, I had no power to change the law, but I definitely understand corporations and I knew how to get them to change.”

Armed with his research, G.K. met with the leading local manufacturer. “They were all very nice, they said they would do something, and then nothing happened. They assumed I would just go away, but I didn’t.

I kept following up. Every week for six months. Then I escalated it to the U.K. headquarters of the food manufacturer.” Eventually, the multinational banned the ingredient from its Indian loaves. That was G.K.’s first light-bulb moment: “I realized that if you could leverage companies or organizations that had very large distribution networks for a social intervention, then you could actually create impact at significant scale, without having a lot of resources yourself.”



“It’s not about you, it’s about your ability to leverage others”

That lesson was in the back of his mind when he had a conversation with his health worker cousin, Janani, who mentioned how low vaccination rates were the cause of many sick and disabled children in India. The vaccines were free and vaccine awareness was high, yet – in a question many are asking today – why did so many people skip their jabs? It came down to people simply forgetting their appointments. Once again, G.K. had research, this time showing that vaccination reminders significantly improved compliance. Given his business background in mobile communications, using tech to send a vaccination reminder via SMS or email wasn’t the problem. What he needed was a large distribution network. “After all, why develop a solution for just one or two hospitals when you could create a national program?” With the help of a leading neonatologist, Dr. R. Pejaver, they got the Indian Academy of Pediatrics on board, which lent the effort nonpartisan credibility – another important piece of the business model. Finally, he secured Vodafone as a corporate sponsor, appealing to their “mobile for good” CSR program. Creating win-win financial sustainability like this completed the picture: “If Vodafone writes a check, I want them to realize they’re getting much more value back in terms of reputation and stakeholder engagement.”

The learnings from that program, Immunizeindia, informed his next venture, Poshan, providing a free information service in all Indian languages for 8 million women to prevent stunting in children. Again, G.K. leveraged large-

scale networks – from government ministries and the Indian Academy of Pediatrics to Vodafone and DSM – to ensure that the service would be comprehensive, credible, widely available and of mutual benefit to all stakeholders.

The problems are endless – and for G.K., so are the solutions. “Once I got introduced to the scale and scope of the problem of the poor health of women and children, I decided to spend the rest of my life working in this area.” So, addressing the problem of patient education led him directly to continuous education for doctors. From there, it was “how to improve the quality of care and provide diagnostic support, guided by specialists, at the point-of-care in outpatient clinics. Lifestyle disease management. Children’s diets. Meal planning. Such services should be available in a country where 90% of the children have nutritional deficiencies.” Indeed, an estimated 4 out of 10 Indian children under the age of 5 have stunted growth owing to malnutrition, and this puts them at a disadvantage for life. If the human, social and economic problems that hobble a nation can be traced back to childhood, G.K. decided to focus his entrepreneurial energies on attacking those problems at their source, using innovative business models.



Poshan was followed by a succession of other tech-enabled platforms: Narikaa, a women's educational initiative of the Federation of Obstetric & Gynecological Societies of India (FOGSI) done in partnership with WayBeyond Media; Inditech, a platform for medical academies, universities and institutes to disseminate education for doctors and med students; and a new "smart clinic" initiative, currently underway, involving India's leading e-governance service company and the Indian Academy of Pediatrics. All these projects are more robust than the typical public-private partnership model, says G.K., in that they offer techno-commercial solutions with scalable revenue models by design. "I do not believe in doing these programs funded by charity," he says. "They have to be financially sustainable."

Even though he invites in business partners, he sets clear boundaries, because he knows any whiff of partisanship will ruin the brand, which remains credible only if doctors and patients trust the source. For example, a pharmaceutical company can donate to the project, but they can have no say over the information being delivered. "It's like a newspaper: an advertisement has to be kept separate from the editorial."

G.K. believes the model is especially well-suited to the developing world: "When you approach partners, you need to bring something special that they lack. In the case of the Indian Academy of Pediatrics, we could bring a techno-commercial model, the ability to execute it and initially the investors to fund it. In a developed world context, you go to a leading institution and say, 'I'm bringing technology,' they say, 'So what? I can buy this technology. Why do I need you?' But here, we are bringing fundamental capabilities which simply are not there, and we're extending their own capacity, helping them to deliver education through their own trusted channels. That is transformative."

Throughout it all, G.K. is keen not to put himself at the center. "People always want to know the secret of being a social entrepreneur and I always say the same thing: It's not about *you*, it's about your ability to leverage others. I am leveraging corporations and individual leaders, their personal and pro-

A transformative model

- Use widely known, accepted solutions
- Get credible, nonpartisan partners on board
- Make it a flagship initiative of national leaders in power
- Ride on existing, large-scale distribution networks
- Create win-win financial sustainability

fessional networks, and their capabilities, to create change. I don't have the capabilities myself, but others do. And my job is to leverage that and scale it to address some social problem of which there are plenty out there to solve." He credits the Indian Academy of Pediatrics' Dr. Bakul Parekh, Ashwin Mittal (philanthropist and CEO of Course5i), Meenakshi Menon (who sold her Spatial Access media measurement business to Deloitte) and many others who have made critical contributions to "figuring out the secret sauce" together. "Always be sensitive to that, and don't make it about you," he says. "Entrepreneurship is about everyone involved in this shared project of transformation. Because that is what we are really trying to do: Transform the world." ■

READ MORE: The case study "GK: Building Businesses in India (E-155-E) by IESE's Christoph Zott is available at www.iesepublishing.com.

Find out more about Business Model Innovation in:

- Christoph Zott's book (co-authored with Raphael Amit) titled *Business Model Innovation Strategy: Transformational Concepts and Tools for Entrepreneurial Leaders* (Wiley, 2020).
- *IESE Business School Insight #156* dedicated to "Build Back Better: How business model innovation can help your firm out of the crisis." <https://insightreports.iese.edu/en/business-model-innovation/>
- The Executive Education program on Business Model Innovation, being held live online between May and September 2022. <https://execedprograms.iese.edu/strategic-management/business-model-innovation-program/>

SMART PICKS

Food for thought



Mindsets of the future

If the pandemic has taught us anything, it's that the future is not as predictable as we once thought. Will globalization swing toward more localization? Can we come together in time to save the planet or will we fall into partisan divides? What will the future of work look like now that working from home has accelerated our virtual connectedness? Whether the glass is half empty or half full depends largely on how we envisage it, and the future we write depends on our current actions. These top picks highlight the mindsets we will need to adopt to inform our thinking at the start of 2022.

The abundance mindset

www.andrewmcafee.org



Andrew McAfee's *Insight* article "Harnessing the crowd in the age of the machine" (www.iesepublishing.com/harnessing-the-crowd-in-the-age-of-the-machine-english.html) focused on how "machine, platform and crowd" would change the world. The MIT scientist's latest book, *More from less*, is a timely challenge to use fewer resources and, as we do so, those resources will become cheaper and, counterintuitively, more abundant over time. Add the right mix of capitalism, tech progress, public awareness and responsive government and we can create the conditions for sustainable life on our planet.

The exponential mindset

www.podcast.diamandis.com



Linear thinking – that one thing follows another in an orderly fashion – won't serve us in an age where the pace of innovation doubles every 18 months. In the aptly named podcast *Exponential Wisdom*, entrepreneur Peter Diamandis and co-host Dan Sullivan explore what this means for industries and individuals, and how we can wrap our heads around the reinvention of everything, from transportation and retail to education, health and finance.

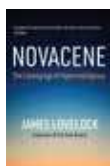
The longevity mindset

www.100yearlife.com

Leaps in science and healthcare mean living to 100 with a good quality of life won't be the exception. As such, Lynda Gratton and Andrew J. Scott recommend disconnecting "age from stage." With the concept of the three-stage career no longer relevant, going to university in your 60s may not be so unusual. IESE's Pedro Nueno also considers managing beyond 80 in his latest book, *Mayores dirigiendo bien*. Time to prepare for a long and fulfilling future.



The collaboration mindset



AI is not the enemy, says James Lovelock, whose Gaia theory of an intelligent Earth famously inspired Isaac Asimov. His book, *Novacene*,

imagines a world where humans are superseded by cyborgs, but far from this leading to our demise, they make better decisions, unmotivated by material wealth, and guide us toward a more sustainable future.



Accenture's Paul Daugherty (www.paul-daugherty.com) echoes this theme in his own book *Human + Machine*. The plus sign is key: Machines are

not coming for our jobs but rather are there to help humans navigate the changes.

The paranoid-optimist mindset



www.paranoid-optimist.com

Former Nokia Chairman Risto Siilasmaa learned the hard way *The power of paranoid optimism to lead through colossal change*, the title of his book charting Nokia's fall and reinvention. He shares survival strategies and change-management tips to help leaders see through the sparkle of a hugely successful global corporation to spot the signs of trouble that could bring it down. Read more in our report on "Global uncertainty" at <https://insightreports.iese.edu/en/global-uncertainty/>



FROM MY DESK

By Javier Díaz-Giménez

Professor of Economics at IESE



The future is at play

Changes that profoundly transform society are happening with accelerating speed. It took over 100,000 years for humanity to go from being hunters and gatherers to farmers and shepherds, and about 12,000 years more before we became industrial innovators. But just 200 years after the Industrial Revolution, we're now slaves to our smartphones. And whatever comes next will happen sooner than we think.

Futurology is a notoriously imprecise science. At the end of 2019, I was asked to make some predictions for 2020, and I will admit I did not envisage a pandemic shutting down the world. However, that doesn't mean we should not at least attempt to imagine tomorrow; your business may depend on it. And while you may have blind spots, some of your predictions will be spot on: In that same 2020 prediction, I felt that GDP as the sole metric for measuring growth would become obsolete among business leaders, and this is bearing out today, with governments and citizens increasingly eager to embrace a vision of growth that prioritizes social cohesion and the planet. As I also noted at the time, companies will need to learn to do a lot more with a lot less. Sometimes the substance of your predictions will stick, even if they don't look exactly as imagined.

Issues of scarcity, population growth, the three D's (digitalization, demonetization and dematerialization) and, of course, climate change: These are the megatrends that will transcend outlier events and local movements to bring sweeping transformation to every aspect of human life, and with it the inevitable conflicts of change – between countries and world powers, between global and local, between generations and even between types of intelligence, with human beings no longer being the smartest guys in the room.

But there are ways to stay one step ahead and not only read the future, but actively create and shape it:

- **Read widely.** Don't just limit yourself to business news and the latest nonfiction bestsellers. Speculative science fiction can also offer deep wells of inspiration.
- **Look at startups in your sector.** See where the wind is blowing and whether you can jump aboard.
- **Work and play.** Cut down on emails and social media and dedicate 20% of your time to off-beat projects. Often, it is in the state of play that we can have the best ideas and create the most value.
- **Don't limit yourself to a single scenario.** Think about the many possible futures for your company and assign them probabilities. Don't be overly optimistic either: The pandemic may still have a few surprises left.
- Most of all, **enjoy!** The future may not look bright, but that's because you haven't turned the light on yet.



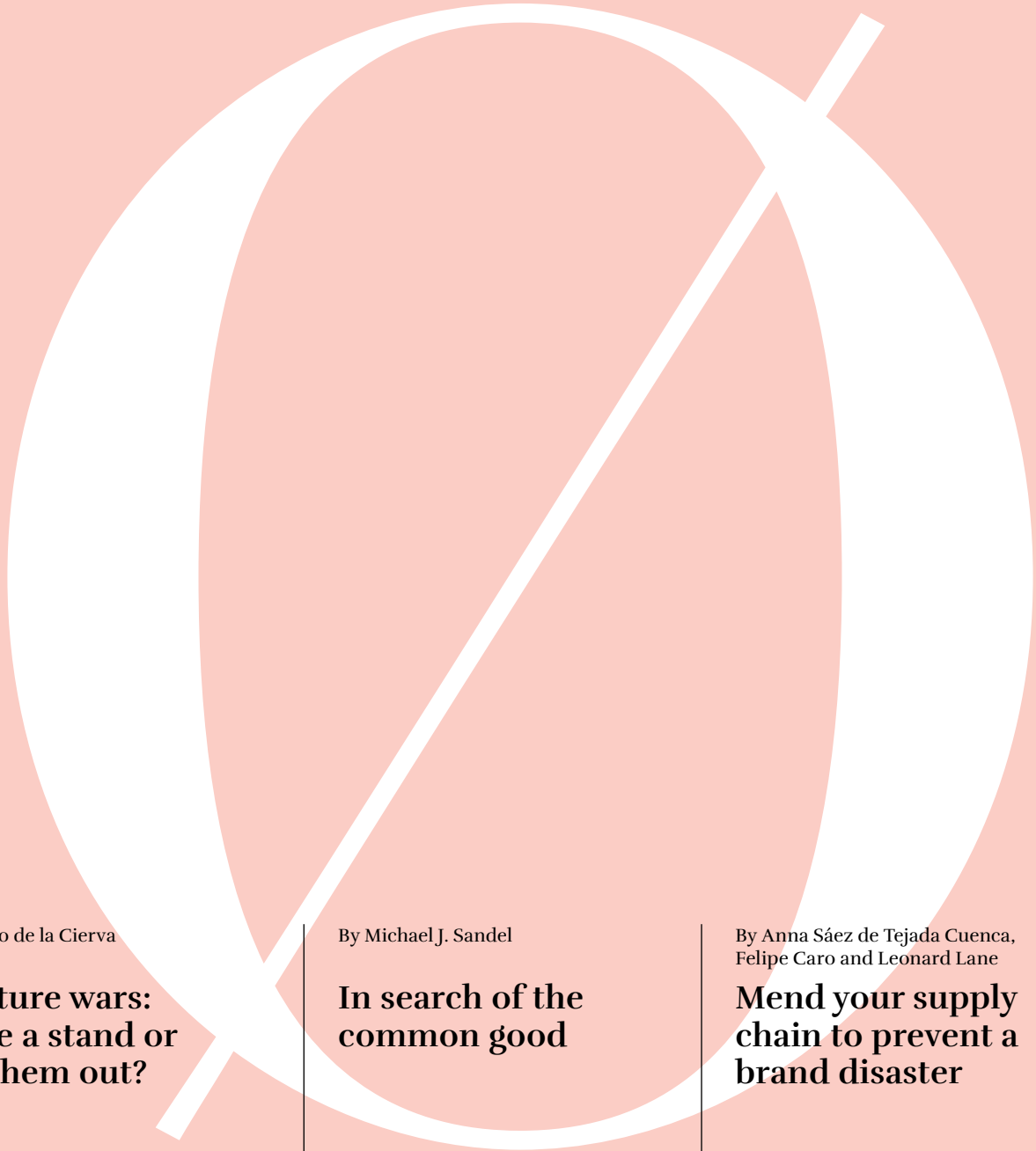
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KNOW



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Culture wars: Take a stand or sit them out?





By Yago de la Cierva

Before you stake a position and your reputation on a controversial issue, make sure you know where your company stands. Follow this advice for choosing your words and your battles carefully.

In 2019, Chick-fil-A scrapped plans to open restaurants in the U.K. after LGBTQ+ activists launched protests and boycotts against the American fast-food chain. The outcry was sparked by the company's decision some years earlier to donate money to organizations opposing same-sex marriage. Although the company's supporters launched an effective counter boycott, or boycott, Chick-fil-A decided it was time to steer clear of the controversy. CEO Dan Cathy sought to redirect the company's charitable giving toward the hopefully less divisive topics of youth education, homelessness and hunger. But that decision alienated the employees, customers and public figures who had been staunch defenders of Chick-fil-A throughout the previous media storm. In attempting to leave one battlefield, the company stepped into another.

Should companies take a stand on hot-button issues? To what extent should personal values affect the management of a business? Is there ever a right time for a company to wade into culture wars or is it always best to avoid them? As the Chick-fil-A case shows, even trying to take no position is to take a position. And in today's polarized environment, there will be consequences either way.

Caught in the crossfire

Along with traditional sources of crises (think toxic products, cyberattacks or corruption), companies must increasingly navigate crises arising from values and beliefs on which there are different societal views – in other words, culture wars. Companies often find themselves caught in the crossfire either because they have decided to position themselves on an issue or because the CEO has expressed personal views about it. When there is no clear consensus on a contentious issue and companies do decide to speak up, it may blow up in their face.

This is a pattern I have followed for years. My interest in crisis management and corporate communication led me to investigate the rapid rise of these new crises and how companies can prevent them, which I have detailed in IESE case studies.

As the list of hotly debated issues grows, so, too, do the chances of a company finding itself in hot water. Does a Spanish bank operating in Mexico have to respond to the Mexican president's request for an apology for abuses committed by Spanish *conquistadores* 500 years ago? Should Lego stop selling its toys at Shell gas stations under pressure from environmentalists to cut ties with the oil industry? Should universities change the names on their buildings or remove statues because they honor 19th-century slave owners?

Some people think firms can easily sidestep such issues by staying above the fray and, if asked, keeping their answers elegantly elusive: "We respect everyone's opinion." But the reality is not so simple. Stakeholders expect companies to be clear about what they stand for. Vague answers and "no comment" won't cut it. Let's examine why.

Why take a stand

It used to be that society looked to governments to tackle social issues such as inequality or discrimination. Companies, for their part, contributed to society by creating jobs, providing products and services, and paying their taxes. Politics was for politicians, not the business of CEOs.

Today, however, citizens expect much more from businesses and their leaders. This is reflected in the 2021 Edelman Trust Barometer. Of those surveyed, 86% expected CEOs to lead and publicly speak out on societal issues and challenges. Moreover, 68% thought that CEOs should step in and take action to fill the void when governments did not seem to fix the problems. While it's not clear if this trend is driven by the mindset of younger generations, government inaction or both, the expectation is real.

Stakeholders expect companies to be clear. Vague answers and "no comment" won't cut it

Employees are also more likely to insist that their companies take human rights into account. A recent example is Project Nimbus, a tech contract with the Israeli military. Workers within Google and Amazon demanded that their companies terminate the contract so as not to abet any Israeli military actions involving Palestinians.

Shareholders and investors have also become active in driving social and political change. As my IESE colleague Miguel Duro noted in *IESE Business School Insight* #158, asset managers and institutional investors are increasingly using their considerable clout to pressure managers to prioritize and address issues such as climate change, and they threaten to vote against management when they don't see sufficient progress being made.

The public sector requires more of companies, too. When bidding for public contracts, stringent environmental, social and governance (ESG) conditions have to be met. And to deal with COVID-19, companies are now under pressure to implement vaccine mandates. Though it starts with government-related contracts, it soon trickles down to all types of firms, until not complying affects your future competitiveness.

As another IESE colleague, Pankaj Ghemawat, has written: "Business leaders have to engage with what is called the nonmarket environment, involving governments, interest groups, the media and the general public. Historically, interactions with these actors have been an afterthought in strategy setting. Now, they are essential, with NGOs and social media amplifying every move. When you have a situation where a tweet can wipe billions off your market value and get you fired, you have to ask yourself: why go picking fights?"

Just ask ex Ford CEO Mark Fields: His very public spat with then-president Donald Trump over a plan to shift some U.S. car production to Mexico resulted in Ford's stock price falling and Fields losing his job.

In the past, such stakeholder concerns fell under the realm of corporate social responsibility (CSR), but what sometimes happens is that the stated ambitions of the CSR team don't marry up with the company's political activities. In other words, "the right hand may be unaware of what the left hand is doing," says Terry Nelidov (IESE MBA '94), managing director of the Erb Institute at the University of Michigan.

"A company's CSR team may take a strong public stance on climate action, for example, while





its government relations team is actively lobbying against it. Or companies may commit to support racial justice but fail to recognize how their third-party political engagements have contributed to problems that disproportionately affect people of color.”

Such issues came to a head on Jan. 6, 2021, when the U.S. Capitol was attacked, forcing many companies to rethink their political involvements, says Nelidov.

To help companies better align their lobbying and political spending with their corporate goals for key sustainability issues, the Erb Institute has convened the Corporate Political Responsibility (CPR) Taskforce – a working group of senior business leaders from some of the world’s largest corporations. As Nelidov explains, “We provide taskforce members with management tools, issues analyses, expert dialogues and a transparency/accountability/responsibility action framework,

which was first articulated by University of Michigan professor Tom Lyon and colleagues in the groundbreaking article ‘CSR needs CPR,’ named *California Management Review’s* Best Article of 2019. We also plug them into a global network of professors, policy advocates and political activists to help them lead internal change and prepare their companies to respond in line with their purpose, values and stakeholders.”

The taskforce aims to raise the bar on corporate political responsibility for the private sector. Indeed, it’s time for everybody to raise the bar and address CPR as well as CSR. Let’s look at how.

Know your identity

Before staking any political claim, you first have to make sure you understand your own corporate identity. Your company’s position on an issue should not be held hostage to stakeholder pressure, nor be jumping on the latest bandwagon, nor be down to the personal whims of the CEO. It stems from the company’s core identity. If the company’s purpose is clear and firmly rooted in its culture and values, it’s much easier to determine which causes to pursue and uphold.

It also helps in being consistent. If a principle is defended once, it should be defended consistently, not just when it helps sales. Incoherence harms credibility.

This is what happened a few years ago to Ikea, whose advertising in Western markets championed gender equality and alternative family arrangements. When criticized in the Polish market, for example, the Swedish company insisted that it could not ignore changes that were taking place in society. Yet in its catalog for Saudi Arabia, certain images and depictions were deleted. This led to criticism from Sweden’s equality minister, and Ikea was forced to apologize for its double standard.

Determine stakeholder strategy

Just as important as a market strategy is a non-market strategy. As my IESE colleague Antonio Argandoña has taught in countless IESE courses, an effective stakeholder strategy involves the following:

- Map your stakeholders.
- Set goals for each of them.
- Propose concrete initiatives for achieving those goals.
- Establish measurement mechanisms.

A one-off action or simply repeating what you did in the past is not the basis of a good nonmarket strategy. Nor is donating to all political parties just to keep the peace. You must choose the right issues appropriate to your particular stakeholder goals – and eliminate the distractions.

Decide when to speak

To help companies and C-level executives determine whether to speak out, Tuck business school professor Paul A. Argenti suggests asking yourself these three questions:

- Does the issue align with your strategy?
- Can you meaningfully influence the issue?
- Will your constituencies agree with you speaking out?

If you can answer yes to all three, then it may be appropriate for you to speak out. If you answer yes to two but no to one, then you could speak but it might be better to let others take the lead. If mostly no, best to remain silent, Argenti says, and monitor how the issue unfolds to see if your company's answers change over time.

Whatever you decide, the way you communicate must be as coherent as your identity. And remember, you communicate as much through your actions as your words, so pay attention to both, as your credibility depends on their alignment.

Nike learned this the hard way. The company famous for its slogans of empowerment (“Just do it,”

“Believe in something, even if it means sacrificing everything” and “Dream crazier”), and which had used images of athlete moms to sell its products, was accused by female athletes of having their sponsorship deals with the brand paused upon becoming pregnant. Like Ikea, there was a credibility gap between Nike's words and deeds.

Communicate well

None of this is to say that companies should seek to dodge controversy at all costs. Controversy, to some degree, is inevitable in our modern, diverse, multicultural, pluralistic, interconnected world. The key is to manage controversies wisely, limiting the negative impacts and seizing the opportunities.

Indeed, sometimes a controversy can be the best thing for your company – if it sharpens your corporate purpose and rallies stakeholders, starting with those inside the organization. Handled well, employees can end up becoming better ambassadors of the company's values.



4 communication levers for facing controversy

Before opening your mouth, make sure you know what you want to say and how you’re going to say it. Can you answer yes to each of the following questions?

LEVERS	KEY ACTION	DO YOUR HOMEWORK
<ul style="list-style-type: none">• Move from polemic to principle	<ul style="list-style-type: none">• Move your arguments to higher moral ground	<ul style="list-style-type: none">• Are you clear about your identity and purpose?• Do you know what your values are?• Are these understood, shared and owned throughout the organization?
<ul style="list-style-type: none">• Speak positively	<ul style="list-style-type: none">• Explain what you’re in favor of, rather than what you’re against	<ul style="list-style-type: none">• Do you have a strategic communication plan?• Have you identified which issues you can legitimately speak on in positive terms?
<ul style="list-style-type: none">• Mobilize your natural allies	<ul style="list-style-type: none">• Get your supporters behind you, and work on those who are indifferent or indecisive or who may be willing to get on board	<ul style="list-style-type: none">• Have you mapped your stakeholders?• Have you dedicated time to developing quality relationships with them?
<ul style="list-style-type: none">• Be proactive	<ul style="list-style-type: none">• Don’t wait to be attacked but take control of the narrative	<ul style="list-style-type: none">• Do you have the right spokespeople and have they received media training?• Have you identified which channels you’re going to use?• Have you determined the right timeframes for taking action?

But for this to happen, you need to avoid some common communication traps, such as sending confused or mixed messages (as previously mentioned) or categorically rejecting another’s position. An effective communication strategy depends on the following:

MOVING FROM POLEMIC TO PRINCIPLE. When controversy erupts, your position may get caricatured by the other side. To break through the noise, you need to

try to set the terms of the debate. And one way of doing that is to connect your arguments to some higher principle on which most people can agree.

In their book *Damage Control*, crisis management consultants Eric Dezenhall and John Weber recommend “taking an issue, position or call-to-action and associating it with a timeless value – something most people cherish or hold sacrosanct. Security. Justice. Privacy. Choice. Safety.

The rights of the underprivileged. Fighting oppression. Doing so adds enormous authority and weight to one's claim. You're not just espousing a selfish point of view; you're standing up for something noble. Not only does it win people over to your side, it enables them to justify their position to others."

SPEAKING POSITIVELY. When you speak, do so positively. Your business purpose should inspire you to be in favor of something, not against. Criticizing the opposition is a waste of time and only sparks confusion and anger. And when people are angry, part of their brain switches off and they stop listening. Better to articulate your company's position briefly and without using cryptic or triggering language, so your words don't fall on deaf ears.

MOBILIZING YOUR NATURAL ALLIES. When the issue is highly divisive, it's rarely possible to change someone's mind who is thoroughly entrenched in a position that's 180 degrees from your own. Instead, focus on, if not exactly friendly audiences, then at least indifferent or indecisive ones. Act in concentric circles, starting with those closest to you, such as your employees and customers, and moving outward, toward those groups who might stand to benefit from the stance you are taking. Only if they are convinced will they mobilize to defend your company.

BEING PROACTIVE. As the saying goes, sometimes the best defense is a good offense, which does not mean being offensive but rather taking charge and changing the game to your advantage. Doing so means you can better control the narrative.

News stories typically arise from a problem, complaint or grievance, and the words of the accused are included as a right of reply, defense or rebuttal. When a journalist calls you for a quote, you're usually being asked to comment on a story that's already written. Defending yourself is less effective than taking action from the start. Which is why if you speak first, those who hold the opposing view will be forced to spend their time and resources on crafting their reaction and

The author



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having to defend themselves. This paralyzes or delays their original plans and lets you lead the conversation in the media, which reward first movers with more coverage.

Keep going

A final word of advice: Don't give up. Battles aren't won overnight. Resist feeling discouraged by mistakes. Correct them and move on, always taking small steps to advance your position. If you remain true to your company's strategic purpose and act according to its core values, eventually you will attract others to your side. And in this way, a political controversy can become an opportunity. ■



READ MORE: The two-part case study "Chick-fil-A: Sandwiches and culture wars" by Eduardo Notario and Yago de la Cierva is available from www.iesepublishing.com.

In search of the common good

By Michael J. Sandel





In a polarized world with rising inequality, might it be time for us to rethink what it means to be a productive citizen and bring dignity back to work?

Having taught political philosophy at Harvard since 1980, I am sometimes asked how student opinions have changed over the years. I generally find this question difficult to answer. In classroom debates about the subjects I teach (justice, markets and morals, the ethics of new technologies), students have always voiced a wide range of moral and political views. I have not noticed any decisive trend, with one exception: Beginning in the 1990s and continuing to the present, more and more of my students seem drawn to the conviction that their success is their own doing, a product of their effort, something they have earned. Among the students I teach, this meritocratic faith has intensified.

It is not hard to understand the growing meritocratic sentiment among students in selective universities and colleges. Over the past half century, admission to elite colleges in the United States has become increasingly daunting. As recently as the mid-1970s, Stanford accepted nearly a third of those who applied. In the early 1980s, Harvard and Stanford admitted about 1 applicant in 5; in 2019, they accepted fewer than 1 in 20.

As competition for admission has intensified, the adolescent years of children who aspire to top colleges (or whose parents aspire for them) have become a battleground of fevered striving – a highly scheduled, pressure-packed, stress-inducing regime of advanced courses, private counselors, exam tutors, athletic and other extracurricular activities, internships and good deeds in distant lands designed to impress college admissions committees, all supervised by anxious hyper-parents seeking the best for their kids.

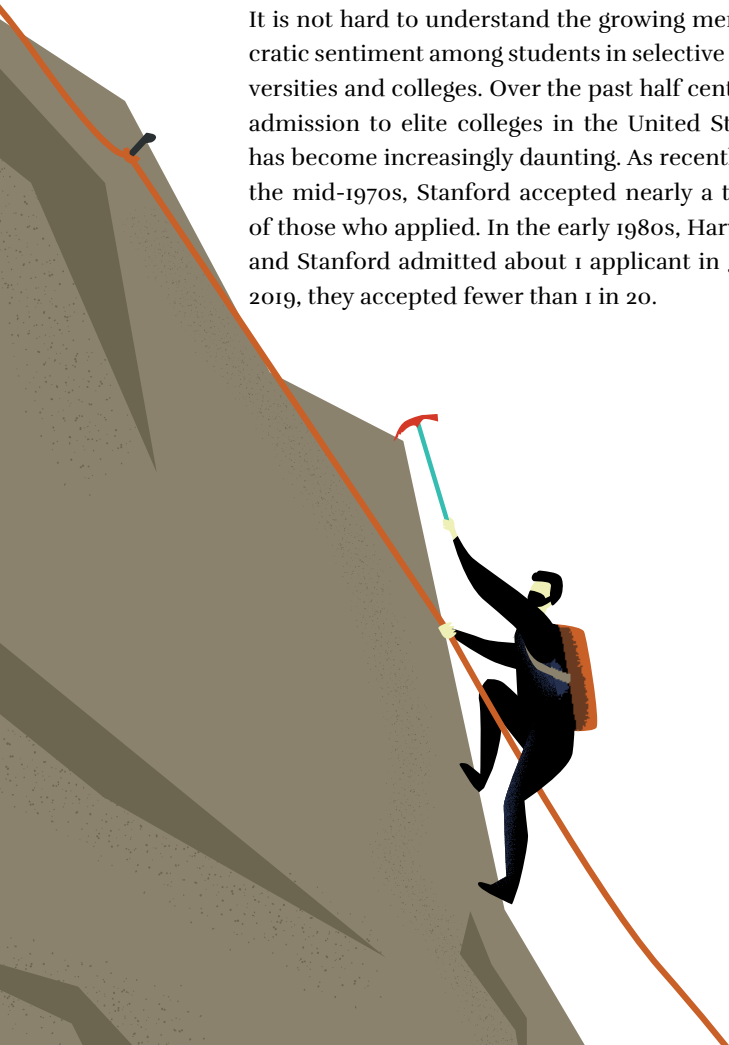
It is difficult to emerge from this gauntlet of stress and striving without believing that you have earned, through effort and hard work, whatever success may come your way.

This does not make students selfish or ungenerous. Many devote copious amounts of time to public service and other good works. But the experience does make them staunch meritocrats; they believe they deserve the success their hard work has won.

This principle of merit can take a tyrannical turn. I argue that a cluster of attitudes and circumstances present today have made meritocracy toxic.

First, under conditions of rampant inequality and stalled mobility in the United States, reiterating the message that we are responsible for our fate and deserve what we get erodes solidarity and demoralizes those left behind by globalization.

Second, insisting that a college degree is the primary route to a respectable job and a decent life creates a credentialist prejudice that undermines the dignity of work and demeans those who have not been to college.



A cluster of attitudes present today have made meritocracy toxic

Third, insisting that social and political problems are best solved by highly educated, value-neutral experts is a technocratic conceit that corrupts democracy and disempowers ordinary citizens.

These ideas are unpacked and explored, one by one, in my latest book, *The Tyranny of Merit*. For the purposes of this article, I'll highlight just a few ideas that I would urge leaders to reflect on deeply.

When meritocracy turns toxic

To those worrying about stagnant wages, outsourcing, inequality and the fear that immigrants and robots were coming for their jobs, governing elites have offered bracing advice: "Go to college. Equip yourself to compete and win in the global economy." Or, as the pop song goes, "You can make it if you try."

Such idealism suited a global, meritocratic, market-driven age at first. It flattered the winners and insulted the losers. But by 2016, its time was up.

Back in 2016, Hillary Clinton explained her presidential campaign as "about the fundamental belief that, in America, every person, no matter what you look like, who you are, who you love, you should have a chance to go as far as your hard work and dreams will take you." She declared, "I want this to be a true meritocracy. I'm tired of inequality. I want people to feel like they can get ahead if they work for it."

To her misfortune, that rhetoric had lost its capacity to inspire. Donald Trump, the candidate who defeated her, did not speak about upward mobility or the belief that Americans can rise as far as their talent and hard work will take them. Instead, he offered blunt talk of winners and losers,

and promised to make America great again – but his vision of greatness had nothing to do with the meritocratic project that had animated American public discourse for previous decades.

In fact, there is reason to think that populist antipathy toward meritocratic elites played a part in Trump's election, and in the surprising vote in Britain, earlier that year, to leave the European Union. Many working-class supporters of Trump, Brexit and populist parties in other countries seemed less interested in promises of upward mobility than in reassertions of national sovereignty, identity and pride. They resented meritocratic elites, experts and professional classes who had celebrated market-driven globalization, reaped the benefits, consigned working people to the discipline of foreign competition, and who seemed to identify more with global elites than with their fellow citizens.

Not all populist grievances against the established order were reactions against meritocratic hubris. Some were entangled with xenophobia, racism and hostility to multiculturalism. But the populist backlash was provoked, at least in part, by the galling sense that those who stood astride the hierarchy of merit looked down with disdain on those they considered less accomplished than themselves.

This populist complaint is not without warrant. For decades, meritocratic elites intoned the mantra that those who work hard and play by the rules can rise as far as their talents will take them. They did not notice that for those stuck at the bottom or struggling to stay afloat, the rhetoric of rising was less a promise than a taunt.

Holding people responsible for what they do is a good thing, up to a point. It respects their capacity to think and act for themselves, as moral agents and as citizens. But it is one thing to hold people responsible for acting morally; it is something else to assume that we are, each of us, wholly responsible for our lot in life.

Recognizing the common good

It is my belief that much of the anger now present in the United States is about the loss of recognition and esteem for working-class families. In this situation, only a political agenda that acknowledges workers' plight and seeks to renew their dignity as producers can effectively address their anger.

Such an agenda must attend to *contributive justice*, i.e., provide an opportunity to win the social recognition and esteem that go with producing what others need and value. After all, it is in our role as producers – not consumers – that we truly contribute to the common good and win recognition for doing so.

The civic ideal of the common good is about reflecting critically on our preferences – ideally, elevating and improving them – so that we can live

worthwhile and flourishing lives. This cannot be achieved through economic activity alone. It requires deliberating with our fellow citizens about how to bring about a just and good society, one that cultivates civic virtue and enables us to reason together about the purposes of our political community.

A political economy concerned only with the size and distribution of GDP undermines the dignity of work and makes for an impoverished civic life. Robert F. Kennedy, campaigning for the U.S. presidency in 1968, understood this: "Fellowship, community, shared patriotism – these essential values of our civilization do not come from just buying and consuming goods together. They come instead from dignified employment at decent pay, the kind of employment that lets a man say to his community, to his family, to his country and, most important, to himself, 'I helped to build this country. I am a participant in its great public ventures.'"

A return to the dignity of work

Few politicians speak that way today, but an older tradition of moral and political thought provides clues as to what an alternative project might look like.

Aristotle argued that human flourishing depends on realizing our nature through the cultivation and exercise of our abilities. The early American republican tradition taught that certain occupations – first agriculture, then artisan labor, then free labor broadly understood – cultivate the virtues that equip citizens for self-rule.

Although that producer ethic gave way to consumerist notions of freedom and to a political economy of economic growth, the idea that work draws citizens together in a scheme of contribution and mutual recognition did not disappear altogether. At times, it found inspiring expression. Speaking to striking sanitation workers in Memphis, Tennessee, shortly before he was assassinated, Rev. Martin Luther King, Jr., tied the dignity of sanitation workers to their contribution to the common good: “One day our society will come to respect the sanitation workers if it is to survive, for the person who picks up our garbage is, in the final analysis, as significant as the physician, for if he doesn’t do his job, diseases are rampant. All labor has dignity.”

The idea that we are most fully human when we contribute to the common good, and win the esteem of our fellow citizens for doing so, runs from Aristotle to Rev. King to Catholic social teaching. In this conception, we aspire, above all, to be needed by those with whom we share a common life. The dignity of work consists in exercising our abilities to answer such needs.

But if meritocratic sorting is teaching us that success is our own doing, it is also eroding our sense of indebtedness. We are now in the midst of an angry whirlwind that this unraveling has produced. To renew the dignity of work, we must repair the social bonds that the age of merit has undone. ■

SOURCE: *The Tyranny of Merit: What's Become of the Common Good?* by Michael J. Sandel (Farrar, Straus & Giroux, 2020).

The author



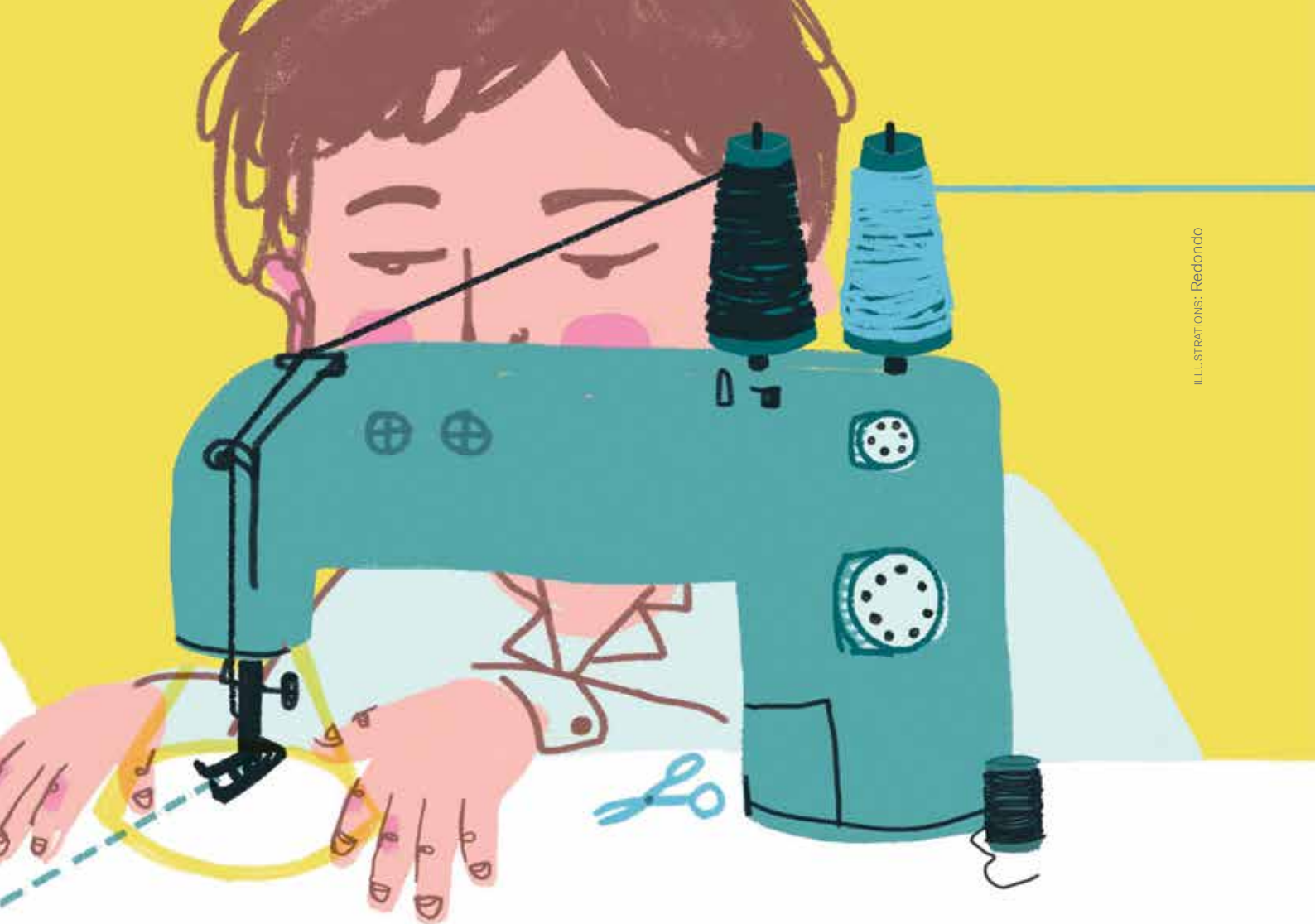
Michael J. Sandel teaches political philosophy at Harvard University. His books relate enduring themes of political philosophy to the most vexing moral and civic questions of our time. His course “Justice,” based on his book of the same name, is the first Harvard course to be made freely available online and on television. He spoke on “The Tyranny of Merit” during IESE’s 2021 Global Alumni Reunion in Madrid.



Mend your supply chain to prevent a brand disaster

By Anna Sáez de Tejada Cuenca,
Felipe Caro and Leonard Lane

Would you know if your suppliers were using unauthorized subcontractors? Research from the fashion industry reveals some key predictors of the practice. Knowing these can help you sew up your supply chain's loose ends.



ILLUSTRATIONS: Redondo

A buyer for a major North American clothing brand gets a call from her overseas supplier: The factory that makes her T-shirts just received another bulk order for specialist swimwear which also has to be ready for the spring season, and the supplier wants to know if it would be okay to subcontract the T-shirts to another factory. If you were that buyer, what would your answer be?

First of all, if your supplier is calling to tell you that, you're already one step ahead of some clothing companies. Still, would you be able to fly a director to inspect the third-party provider and ensure their facilities were in full compliance *and* do it all within a week so as not to miss your

original delivery deadline? Better yet, would you plan order capacity with your best suppliers three to five years in advance, most likely avoiding the last-minute phone call in the first place? The latter is what H&M does as part of its commitment to be a responsible buyer.

A lot has changed in the apparel business since the infamous Rana Plaza collapse in Bangladesh in 2013, which killed more than 1,100 people and injured thousands more. That tragedy did more than expose the harsh working conditions of garment workers; it revealed just how little many Western brands actually knew about their own supply chains and the extent to which their products were being unknowingly subcontracted to unauthorized suppliers.

Since then, many of the brands implicated in that disaster have stepped up and taken a more hands-on approach in tracing their supply chains. Increasingly, you will find them publishing this information openly on their websites. In some cases, you can click on a product and it will tell you all about its provenance, not just the exact factory where it was made, but in some cases the farm where the cotton was grown, the mills where the textiles were spun, even the drivers who delivered the items on their long global journey.

That being said, those exceptions are not yet the rule for an industry that is most susceptible to unauthorized subcontracting. In the wake of the Rana Plaza disaster, we collected data from a global supply chain manager who linked buyers – mostly

mass-market apparel products for North American brands – with suppliers located in Asia. This middleman began recording when orders were subcontracted to unauthorized factories, something that did not happen before the Rana Plaza incident. (Although there had always been subcontracting, buyers were only informed of it when the subcontracted party was on an authorized list, which is why so many fashion brands were unaware their orders were being fulfilled in a building with construction violations.) With this new data now being gathered, we were able to probe the main drivers of unauthorized subcontracting. What we discovered provides insights for apparel retailers to predict when such subcontracting will likely occur – and thereby prevent future disasters in their supply chains.

Why use unauthorized subcontractors?

Analyzing more than 32,000 orders placed by 30 buyers with 226 factories, we can indeed say that one of the factors that influences the decision to subcontract is price. No surprise there. Indeed, arbitraging lower labor costs elsewhere is the very point of outsourcing in the first place.



While price pressure is a factor in why some unauthorized subcontracting occurs, the most significant reason was related to workload

In this regard, we should note that not all unauthorized subcontracting went to noncompliant facilities. That is to say, if the supplier is sending your T-shirt order to a third party without authorization, it doesn't necessarily mean they're sending it to a sweatshop or deathtrap; it could just be an alternative provider not on the list because they haven't had the time or resources to complete all the required compliance certification paperwork. However, any such below-the-radar activity still carries a compliance risk. And in the fashion business, as has been made tragically clear, what you don't know can hurt you.

That is why supply-chain transparency and visibility have become so important. And while price pressure is a factor in why some unauthorized subcontracting occurs, it is not the biggest factor, as our research reveals.

The most significant reason was related to workload. Factories, especially those fielding many different orders from a multitude of brands from around the world, frequently operate at close to capacity. Many take on more work than they are reasonably able to handle, often for fear of losing an important client. And a factory that agrees to expedite 143 new orders (the mean in our sample) when it only has a handful of other orders pending is not the same as a factory that accepts 143 new orders when it already has 143 old orders pending (or even up to 3,000 other orders, as was the case with some of our sample factories).

Current workload is basic information that a company should know about its suppliers because a factory already operating at peak capacity when your order comes in will be all the more tempted to contract it out.

As we further discovered, a factory that resorts to unauthorized subcontracting once is 87% more likely to subcontract *its next order*. This goes along with queuing theory. Backlogs don't clear up all of a sudden. If a factory is so busy that it has already had to subcontract one order, chances are it will do the same to the next one. Subcontracting acts as an overflow valve, and it tends to happen in batches. This is consistent with state-dependent systems and is something that can be modeled using queue management statistical methods.

Would longer lead times solve this? Not without monitoring the supplier's current capacity and workload. And not without taking account of *the nature of the products* that you're contracting.

Here is where our research made another interesting discovery. You might think that a simple T-shirt with a long lead time would be less likely to be subcontracted than a stylized product like swimwear involving specialized labor and a tighter seasonal deadline. Not so. That's because a fast-fashion item, like this season's trending swimwear, must be produced typically in six weeks or less. Moreover, being an authorized supplier implies they have achieved a higher level of sophistication in their operations.

Our research highlights that buyers have key roles to play in developing solutions

Precisely because T-shirts are a simple, perennial product that any old factory can produce makes them the more likely candidate to get bumped. And if that describes your order, you need to be extra diligent and vigilant about unauthorized subcontracting.

Although the following advice comes from the International Council of Toy Industries, it's valid for fashion buyers, too: "Before placing orders, verify the capacity of the supplier. Use auditors to check that the factory has the capacity, including the necessary machines and production processes, to produce your order within the required timeframe. Look for inconsistencies with the machinery on site and the production record, as well as abnormal ratios between production capacity and the finished products. After an order is placed, look for suspicious documentation and production records and any abnormal situations, such as an unusual

number of products suddenly appearing in the warehouse, which can be signs of unauthorized subcontracting taking place."

Buyers need to step up

Besides identifying the main predictors of hidden problems, our research highlights that buyers have key roles to play in developing solutions. The methods we used to crunch the data from our middle-man enabled us to predict unauthorized subcontracting with a high degree of accuracy (82% just by knowing the fraction of orders that the factory subcontracted, and in more than 90% of cases when unauthorized subcontracting information for the most recent order was available). Given that the data consist of variables that retailers or intermediaries have at their disposal, there's no reason why any company can't do the same – if it isn't already – and incorporate the findings into its own decision-support systems. This would help to raise red flags and, crucially, focus on risky suppliers to move them in desired directions, going beyond compliance to commitment.

Going back to what we said earlier about some factories being unauthorized simply because the compliance certification process was too cumbersome, companies could help by streamlining or even assisting them with the paperwork. If the subcontractor has reasonable working conditions, buyers would be helping these suppliers – and themselves – by learning more about what's holding them back (maybe a lack of technical capabilities?) and

then working with them to add them to the list of approved suppliers.

A report by the NYU Stern Center for Business and Human Rights proposed that direct suppliers could transfer knowledge and resources through a buddy system, whereby a stronger factory helps smaller subcontracting factories achieve compliance. To help build capacity among their supplier networks, some companies are offering training to second-tier as well as their first-tier suppliers on topics such as antidiscrimination, safety conditions, labor rights and women's health.

In this vein, Gap Inc. has set a goal to have all its Tier 2 suppliers, in addition to its Tier 1 facilities, be aligned with the industry-wide Social and Labor Convergence Project (SLCP) and the International Labor Organization (ILO) Better Work program by 2025. It also takes a dim view of unauthorized subcontracting: When detected, Gap imposes financial

chargebacks on the supplier, using the money to fund projects that improve work conditions, or it terminates business with that supplier altogether.

Under the microscope

Are well-known fast-fashion brands really ones to emulate? To some degree, yes. Given that these brands are in the spotlight today more than ever because of the Rana Plaza collapse, they have been working harder to clean up their acts. By virtue of them being major global brands with greater reputational risks, we found that their orders were 22% less likely to be subcontracted. That leaves lesser known brands more susceptible to the practice. Just because smaller labels haven't been implicated in a headline-grabbing scandal doesn't mean they aren't guilty of unauthorized subcontracting; it could just mean consumer groups and the media haven't caught them yet.

This was another finding of our research: Consumer advocacy and public pressure do work. Since the Rana Plaza disaster, many watchdogs have sprung up, including Fashion Revolution, which tracks the suppliers of 62 major apparel brands and retailers,



Actions that matter

Here are some practical things that companies can do, based partly on our research and partly on conversations with our industry partner.

Don't squeeze suppliers too much on price.

One ILO survey found that some buyers were imposing prices below production costs. For suppliers in weak bargaining positions who hope to secure future orders, the only way they can make up the difference is to take on extra orders and force overtime on workers. This increases the use of temporary workers and outsourcing, usually with lower wages and worse working conditions. As such, to avoid unauthorized outsourcing and exploitation, pay a fair price according to the baseline prices of each factory in question. As the saying goes, you get what you pay for.

Know the capacity of your supplier. If you know a certain factory can only handle 100 shirts a day, don't suddenly ask them to make 200.

Keep track of current workload. While you can't know how much work the same factory has from other retailers (that would be giving away trade secrets), you can at least manage how much work the factory has from *you* at any given time, and plan and reserve production periods with plenty of forecasting.

Treat your suppliers like customers. As we move to a system where compliance is simply "table stakes" and commitment is the goal, treating suppliers like you would treat your customers can help minimize subcontracting issues. So, pay on time. Build the relationship. Keep them in the loop. Be honest. Accept accountability. Incorporate appropriate service levels and metrics into agreements. And spend equal time aligning incentives and penalties.

Make it everyone's job. Having a sustainability function alone isn't enough. The sustainability function and the procurement function need to work together, sharing information and making purchasing decisions together. Committing to being a responsible buyer is not the job of one person but must be owned and taken seriously by everyone in the organization. Making it a corporate mission and value will go a long way toward preventing the organization from making overblown claims that, on investigation, can't be backed up with facts. As with greenwashing, the truth will out.



reporting on which ones disclose beyond Tier 1. This puts pressure on those retailers to be more transparent about their entire supply chains.

Looking beyond our research, the pandemic has highlighted another issue related to supply chains that companies are being forced to confront: Does it make sense for us to rely on basic products being made far away? Increasingly, supply-chain strategies are leaning toward more localization and regionalization. For North American buyers, having suppliers in Mexico, or for European buyers, having suppliers in Morocco or Turkey, would enable the quicker inspection-and-approval process mentioned at the beginning of this article: When your supplier calls, you could – as is the growing practice in the industry – have your local rep check on the proposed subcontractor and make your deadline without compromising on worker safety and human rights. And that is something that will never go out of fashion. ■

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READ MORE: "Can brands claim ignorance? Unauthorized subcontracting in apparel supply chains" by Felipe Caro, Leonard Lane and Anna Sáez de Tejada Cuenca is published in *Management Science* Vol. 67, Issue 4 (April 2021).

FULL STOP



CREDIT: FOX Image Collection
via Getty Images

“Never trust atoms because they make everything up”

Astrophysicist Neil deGrasse Tyson's leadership style is refreshingly down to earth for someone who spends his life gazing at stars.

With his trademark wit, the American astrophysicist, planetary scientist and bestselling author Neil deGrasse Tyson has a knack for popularizing arcane subjects. At the recent FRED Leadership Forum, he sat down with IESE's Bill Baker, the veteran public broadcaster and author of *Organizations for people: Caring cultures, basic needs and better lives*, to discuss mindful leadership. When we think about cerebral, star-gazing scientists, we may rarely think about people-focused leadership. Yet as director of the Hayden Planetarium at the American Museum of Natural History in New York, Tyson does a lot of leading and reading of people. Here, the pair discuss how leaders can use humor, dignity and respect to reach people where they're at and expand the limits of their universe.

Bill Baker: So tell me, is leadership an art or a science or both?

Neil deGrasse Tyson: Leadership has many different dimensions. There's a Pied Piper sort of leadership, where you offer people a cool idea and they follow you because they want more. There's leadership which is about bringing out the human potential in your team. And there's the authoritarian leader who says, "I'm the leader and you have to do what I say." Personally, I don't like that authoritarian, hierarchical approach – not that it doesn't work. As we all know, some of the biggest leaders of the 20th century used it to devastating effect.

One of the things that came out of the research for my book was that the leaders who enjoy long-term success tend to be kind leaders.

Well, in my field, we're generally not rewarded for our social graces. There's an unwritten rule of "I'm right and you're wrong," "You're right and I'm wrong" or "We're both wrong." It's very rare where we differ and we're both right. In science, leadership means having ideas that others don't have. No one ever wants to do what someone else says simply

because they say so, and if we don't agree, then we have to keep at it until one person says, "Oh, I never thought about it that way before!"

As a practical example, our research papers don't carry the academic pedigree of the author. A grad student or an intern will be listed alongside the director of the observatory with no title following, because we never want to squash anyone. Even though a new person is going to have to learn the ropes, there's the implicit expectation that they might be smarter than you. If you set up a system that's hierarchical, you'll never gain from this. This reminds me of the adage, "First-rate people hire first-rate people. Second-rate people hire third-rate people."

It really does make you wonder whether that sort of attitude to leadership couldn't be copied in other industries.

Here's another example: We have some very senior members – the most trusted, best known among us, whose research is highly respected. But they're respected not simply because they're older but because they've seen institutions thrive and suffer, and they bring that wisdom to the table. They're not biased or self-serving; they hold the interest of the community above anything else. And when we have something new that we want to fund – a spacecraft, a telescope



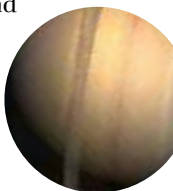
or a very important piece of equipment – but limited funds, we go to a senior review committee and they choose when to shut off the spigot and redirect funding elsewhere. People's careers may be adversely affected by this decision, but because the senior leaders chosen to be on this committee have earned everyone's respect, nobody fights it.

That's how you know you've got a good system: A true leader will still get people's respect even if the decisions the leader makes are hard for them. As someone who has managed to engage people, tell me more about how you do it.

It happened over 20 or 30 years. Whenever people discovered what I did for a living, they would barrage me with questions: "Tell me about black holes! Tell me about the Big Bang!" And I would monitor how they responded: Were they leaning in or getting bored by my answers? I would take mental notes of what interested people – which should be the goal of any educator.

Then, in 1994, a TV news crew came to our planetarium to ask me about the discovery of a planet orbiting a star, and during the interview I did a little body jive to illustrate the Doppler Effect. The only thing on the news that evening was me doing the dance. That taught me the importance of the soundbite. I started practicing in front of the mirror. I'd get my wife to shout out cosmic phenomena: "Black holes! Space time! Einstein!" And I would practice giving a three-sentence reply that would be informative, interesting and maybe make you smile. So, for black holes, I might say, "First, avoid them!" which is scientifically accurate but also makes you smile. I find that when people smile while they're learning, they come back for more, because it's a good feeling. If you can master the anatomy of a soundbite, then you're more likely to get listened to.

**"If you can
master the
soundbite,
you're more
likely to get
listened to"**



Making your soundbites funny

Stockpile material

Every time you come across something that strikes you as funny, store it away and then you'll have a bank of material to draw upon at the perfect moment. It's much harder to think up quips on the spot.

Stay on the lookout

Anything can be a potential source of humor. Watch the latest movies and TV shows and keep up with pop culture. You never know when any of it will come in handy.

Learn from the best

Watch comedians for cues on delivery, timing, catchphrases, facial expressions and what else they do that makes people laugh.

CREDIT: © AMNH, Photo by Roderick Mickens



It seems simple but a lot of work goes into it. How many politicians have you seen on TV that act like deer in headlights? When I first appeared on *The Daily Show* with Jon Stewart, I timed how many seconds he gave his guests to speak before he jumped in with a comment, and I parceled my information into those units. You really have to do your homework and invest in your delivery.

There are other equally great scientists out there that nobody has ever heard of because they haven't mastered this ability to communicate with everyday people in real terms like you do.

People know when you're not real; they know it and feel it. When I became host of the TV series *Cosmos*, I was asked how it felt to be in the shoes of the original host, Carl Sagan. I said, "If I try to fill his shoes, I can only fail, because I'm not him. But I know I can fill my own shoes perfectly. I'm not here to try to be Carl Sagan. I'm here to be me. If I fail, then that's on me. I'm not failing for having failed to be somebody else."

So, be yourself. And try to connect with your audience. As an educator, you can either lecture or you can communicate. A lecture is when you're facing the blackboard, just writing on the board without much concern for your audience. In a university setting, people may connect anyway because they've paid a lot of money to be there. But in the real world, people can just walk away; the contract between you is different.



One thing I do to connect is to expose myself to the common language of pop culture. So, I look at the latest movies, the latest TV shows, the latest pop stars that people are talking about, and I try to have some fluency in that language. If there's a Beyoncé song that relates to something I'm saying, I can pull it out, and all of a sudden this content, which would otherwise be obscure and distant, becomes near and relevant.

You have to be constantly adapting to your audience. Take Twitter: For me, Twitter is a neurosynaptic snapshot of how people think about things in real time. I'm there not to fight against what people are saying but to engage with the world as it is unfolding, so that I can navigate that shifting landscape and still get my message across.

What about when you have to say something that your audience is not prepared to buy? How do you get your audience to the place where you want them to be?

I can only partially answer that from what I learned from my father, who spent his entire career in city politics: It's not good enough to be right; you also have to be effective.

“Leadership is the art of enlightenment”

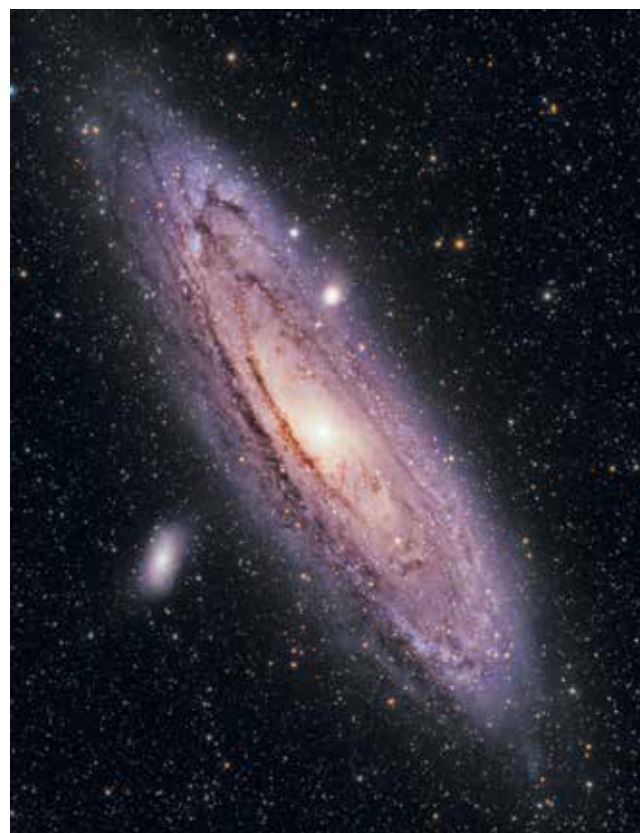
We all know people who have a great idea, and they quit their job because they say no one will follow their recommendations or they blame the inertia of the organization. But being effective means: “I have this brilliant idea. Now people need to be convinced. There has to be a pathway, and if I don’t provide that path, it’s my fault if my idea doesn’t get funded.” The burden on making an idea work is always on the person who is trying to make it happen. Is leadership about the art of persuasion? I prefer the art of enlightenment.

But how do you persuade or enlighten people, with dignity and respect, when they’re coming from a place of magical thinking? We see this with vaccines and the non-scientific attitudes toward COVID.

If people are deeply steeped in a magical belief system, it’s a matter of finding a path for them to land in some kind of rational place. What are all the ways they have ever thought about the problem, and how can I give them another one that could help guide them? I once met a person who didn’t think the moon landing was real, and I said, “So you think we didn’t visit the moon *nine times*? Let’s think about that.” If he doesn’t think we did it the first time, does he also believe we haven’t done it all the other times since? The trick is to give the person something just a little bit beyond the edge of their current thinking. It’s easy to say things that divide people. I look to leaders who are able to say things without anger, who are still ready to have conversations. Those are the leaders I try to emulate.

How do you nudge people in the workplace context?

If there’s someone who is struggling, I like to give them assignments that are just incrementally beyond where they are; again, just a little beyond the edge, not so much that they’ll fail, but just enough to sustain their confidence. For me, these are the roots of workplace dignity. There will be people who say, “I’m not paid for this. It’s outside my job description.” In that case, I don’t know how else to show that you



have potential that you can rise to, because the only way you can really justify promoting someone is if they go beyond the limits of what you hired them to do.

Would you say that your style of leadership is about taking risks on people, stretching their capabilities and getting them to explore their full potential?

Absolutely. Just imagine if everyone in the world were employed to the full extent of their abilities overnight! If you’re not going to take risks on people, then you have no business being a leader. If I can get someone to a brand-new place, where they open their eyes and say, “Wow! I never thought I could do that,” that’s a good day. ■



SOURCE: Bill Baker interviewed Neil deGrasse Tyson at FRED Forum 2021, which featured an incredible lineup of speakers, including IESE Dean Franz Heukamp, discussing ethical, inclusive and mindful leadership. Find out more at www.fredleadership.org/fred-forum.



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