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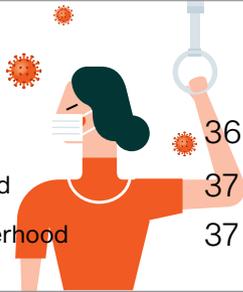
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Joan E. Ricart
Editorial Director of *IESE Business School Insight*

Keeping connected

We're back with another issue of *IESE Business School Insight* – our flagship publication that serves as a vital link between IESE and our diverse community of readers spread around the world, connecting us to the latest business thinking and research on the issues of the day. Appropriately, the main report of this edition is Connectedness – how business leaders can forge the human connections on which our collective well-being depends. The cover line puts it succinctly: Better Together.

Connectedness is a broad concept, as can be seen in our report, encompassing everything from technology and social media networks to organizational unity and social inclusion, and even touching on the governance of ecosystems and collaborative working for heightened productivity and performance. At the same time, it is a tremendously relevant concept for all managers, since we will go much further and achieve much more together than apart. As Dr. Pilar de Castro-Manglano points out, “Leadership requires social contact.” Only in this way will we have a positive impact, “so that the people and societies we touch are better off because of our actions,” which the new head of the University of Navarra, Maria Iraburu, urged of all of us when she inaugurated our new IESE campus in Madrid.

Especially illustrative of the power of connectedness are the examples of social entrepreneurship provided by our alumni, as well as the connections that have made the mobilization of aid to Ukraine possible. Let's hope the war ends soon and we can reestablish the global connections on which our world depends.

Elsewhere in this magazine, we share the latest research on what to do when our connections break down. When business models begin to drift apart, when is it time for the CEO to make the strategic decision to split a multibusiness corporation in two? In order to try to measure climate risk and report ESG measures accurately, might it be time to deviate from traditional accounting conservatism? And how can we maintain a healthy balance between our work and home lives when the pandemic has merged those separate domains into one?

Truly impactful research stands the test of time, as is evident from the lessons of our late colleague Juan Antonio Perez Lopez. On the 25th anniversary of his death, IESE has staged various commemorative events throughout the 2021-22 academic year to discuss how his thinking is continuing to inform academia today. Professors, former students and colleagues from our associated business schools in Latin America gathered to present new lines of research inspired by his theories. One such participant, Gabriel Ginebra, writes about the need for “triple motivation” – in particular, the importance of purpose and transcendent motivation. Ultimately, it is in serving others and working to improve our human connections that we find our greatest fulfillment.



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REPORT



From ICT networks to inclusive people management, a world divided is calling out for more human connectedness. Here's how business leaders can forge the human connections on which our wellbeing depends.

Connected



ness

Dysfunctional and divided. That was Tom Standage's assessment of the world when *The Economist* editor appeared at IESE to present his annual forecast for the year ahead. Business leaders nodded along as he reeled off predictions that were already apparent: an uneven recovery from the pandemic that had distanced us and would continue to do so; inflation woes owing to broken supply chains; a climate crunch as policymakers put more energy into bickering than into solving the energy crisis itself; a new techlash as regulators try to rein in the fake news spewed by tech giants, which have polarized our societies and our politics to such a degree that coming together to get things done seems like a quaint concept from a bygone era. "We're clearly at the end of a period of relative geopolitical stability that followed the collapse of the Soviet Union," Standage proclaimed in February 2022. Later that month, Russia invaded Ukraine. Clearly indeed.

"The world tends to divide into separate technological and economic blocs," notes IESE professor Xavier Vives. Embedded in that statement are two reasons for the division: technology and economics. For all the merits of digital innovation and globally linked financial success, our current panorama reveals something has gone awry. Conversely, the means to bring us closer together in the 20th century are instead driving us further apart in the 21st.

In business terms, this has led to the so-called Great Resignation – a phenomenon whereby tens of millions of workers, mainly in the U.S. but also elsewhere, are calling it quits. They're dropping out of the workforce, or are at least leaving traditional workplaces behind, in search of something better. A McKinsey report expressed it thus: "Employees crave investment in the *human* aspects of work. Employees are tired, and many are grieving.

They want a renewed and revised sense of purpose in their work. They want social and interpersonal connections with their colleagues and managers. They want to feel a sense of shared identity. Yes, they want pay, benefits and perks, but more than that they want to feel valued by their organizations and managers. They want meaningful interactions, not just transactions. By not understanding what their employees are running from, and what they might gravitate to, company leaders are putting their very businesses at risk."

This stark reality caught the attention of IESE Dean Franz Heukamp, reminding him of something Harvard's Michael Sandel said during IESE's Global Alumni Reunion: We are most fully human when we contribute to the common good, when we are needed by – and connected to – those with whom we share a common life.

"If the pandemic has taught us anything, it's that we live in an interconnected world where our wellbeing depends on others," Heukamp wrote in a recent post. "I'm optimistic by nature, so when I see how disconnected we are, it only reinforces my belief in the importance of meaningful connections and in the power of business leaders to forge those connections. Changing the way we treat each other is something any of us can do, starting today."

In this special report, we draw on research by IESE professors and others into the concept of connectedness – starting with the ICT networks and communal infrastructures that link us, before delving into the implications for our organizations, workplaces and people management. In doing so, we highlight some of the practical ways that we can all work together to help heal our divisions and elevate human relationships, which should be at the center of everything we do.

Tech connectedness

Perhaps nothing has revolutionized our connect- edness over the past decade more than digital plat- forms. As indicated by the name “sharing econo- my,” peer-to-peer digital platforms have been hailed for their ability to put disconnected people in touch with each other to share idle or underuti- lized resources, transforming the nature of value creation by monetizing the efficient connection of supply and demand.

However, for all their positive features, these plat- forms have also generated negative externalities. For example, Airbnb let local residents connect

with tourists to offer them accommodation; but in popular cities like Barcelona, this led to a situation where local residents were shut out of the housing market as apartment rentals were taken over by tourists, and the residents who remained saw their neighborhoods degraded by overtourism. We now see grassroots movements of local citizens united against these platforms.

The growing resistance to digital platforms is the focus of research by IESE’s Joan E. Ricart and Pas- cual Berrone, with co-authors Yuliya Snihur and Carlos Carrasco. In their paper published in *Strat- egy Science*, they analyze when collective resistance



46%

gave as a reason to quit, their desire to go and work with people who trust and care for each other

51%

of employees who left their job in the past six months said they did so because they lacked a sense of belonging

SOURCE: McKinsey “Great Attrition” survey of Australian, Canadian, Singaporean, British and American workers.

is more likely and, knowing this, how digital platforms can then mitigate that resistance through what they call “relational business model design.” In other words, when too much connection tips over into disconnection, the antidote is to reconnect with local stakeholders and enlist them in ecosystem-centered governance.

The authors classify three types of digitally enabled platform business models based on: 1) physical assets (as with Airbnb or goods exchanges like eBay); 2) digital assets (music or movie streamers like Spotify or Netflix); and 3) labor assets (delivery services like Glovo). Resistance can come from two sources: 1) local non-participants/outside (those who don't use the platform but are affected by it); and 2) local participants/insiders (those who do use the platform, relying on it for income or other resources, and therefore have a role in affecting it directly).

For outsiders, the likelihood of resistance goes up when physical assets are *highly localized and scarce*. For insiders, they are more likely to voice grievances when the digital platform leverages *highly localized and precarious labor*.

The features that make digital platforms a disruptive force – direct connections, self-organization, network effects, winner-takes-all dynamics – are the

same ones that disgruntled insiders and outsiders can exploit to formalize their collective resistance. This happened in Barcelona when citizen groups and neighborhood associations mobilized online and organized a march through the city streets to protest against overtourism. U.S. rideshare drivers did something similar against Uber and Lyft concerning pay and lack of worker protections.

To deal with this, business leaders need to think again about their fundamental business model design, which is a direct reflection of how a firm wishes to treat outsiders as well as its insiders. Such platforms are typically double-sided, meaning the firm acts a broker bringing two sides – users and providers – together, collecting revenue from one or both sides for enabling the transaction.

Alternatively, firms ought to adopt a multisided model, one that includes other stakeholders, such as city hall and neighborhood associations, as part of their value proposition. They need to connect with local outsiders as much as they do local insiders. Uber providing accident insurance, and Airbnb encouraging its hosts to offer short-term stays to refugees in partnership with local resettlement agencies, exemplify how firms can extend value to other stakeholders, reducing some of the us-versus-them mentality and demonstrating good citizenship.

Firms need to rethink their business model design to connect with multiple stakeholders

This needs to extend to the firm's governance mechanisms. So, beyond the usual pricing agreements and rating systems, the firm should consider sharing data with cities to help local planning, and vetting systems based on fairness and common interests, rather than merely making more money for insiders. This can help digital platforms restore their broken community relations.

Real connections to combat fake news

Another area of tech that has led to societal breakdown concerns social media. It's no coincidence that Oxford dictionary's word of the year for 2016 was "post-truth" – the same year of the Brexit referendum in the U.K. and the election of Donald Trump as president of the U.S. Both events were likely influenced by social media-fueled (dis)information activities, when "fact and fiction became hard to tease apart," said IESE's Massimo Maoret in a TEDxIESEBarcelona talk on "The Social Construction of Facts: Surviving a Post-Truth World."

Maoret's research focuses on the social creation of culture and how social networks impact performance, innovation and organizational socialization (see the infographic on **Network**

Connectedness). Through his analyses of social networks, he argues that tech isn't exclusively to blame for the phenomenon of "fake news" as much as it has merely turbocharged something that has always been around.

Maoret explains: "Pre-web, the social process of building shared realities was curated and controlled by intermediaries – newspaper editors, academic and scientific bodies, the State and other such institutions – because the transaction costs of coordinating and disseminating information person-to-person were too high. But the digital revolution lowered or eliminated transaction costs, stripping power away from intermediaries and empowering individuals to connect directly with each other and to procure information cheaply for themselves from unfiltered sources."

While this has democratized information, the lack of filters also means the subjective socio-cognitive biases through which humans interpret reality have been let off the leash, leading to a situation that is much more chaotic. "When individual ideas become connected, they become an inter-subjective shared reality, allowing people to co-construct a new social reality through the same, sometimes distorted, lenses. And when individuals are fully embedded in their own reality, this becomes a self-reinforcing echo chamber, which can veer quite dramatically away from others. This is why certain groups end up believing fanatically that the Earth is flat, that vaccines do not work, or that Russia has not invaded Ukraine. These processes are so powerful that they can happen to any of us."

To defuse these dangers, Maoret says each one of us must stop being a passive recipient of news and information, and instead become active



fact-checkers, recognizing the power – and responsibility – we hold through our amplified web of connections to shape reality, for good or bad.

“Question more and believe a little less,” he urges. “Would you ever take a used-car salesman at face value? Probably not and for good reason, because this person clearly has an agenda. By the same token, why blindly trust the information on Twitter or Facebook? We should be at least as critical, particularly when items are obvious clickbait or too good to be true. That should be an instant red flag! We must actively search more to find the truth. This means recognizing that every single source is biased in some way, and the only way to remove that bias is to cross-check more sources. If you speak more than one language, read how media from different countries treat the same news, and triangulate that information. You may never get the full truth, but you may get a better-informed opinion. The more different points of view you have, the better.”

Above all, it requires connecting with others on a personal level – “others who don’t think exactly like you,” says Maoret, “and engaging with them in a positive manner, not simply to prove them wrong. Give others the benefit of the doubt. Be open to be proven wrong, which is great because it means you just learned something. And by connecting with different people and having genuine, open conversations, we will hopefully lower the negative impact of fake news on our lives.”

Where’s the humanity?

All this discussion should underscore a key point: For all the affordances of tech connectedness, we must never forget that the human component must be kept central. As with the application of ICT in urban environments, if there is no clear notion of *why* we are using the tech nor *for what larger purpose*, then likewise employing tech in

people management will be just as counterproductive. So states a report on Technology and HR by Joan Fontrodona, holder of the CaixaBank Chair of Sustainability and Social Impact at IESE.

“Tech connectedness is never an end in itself,” he writes, “but a tool to help companies reaffirm the basic function of management, which is the personal and professional development of people within a corporate framework. Indeed, it is worth adding that the human is never a ‘resource.’ Although ‘human resources’ is the universal term, my hope is that, sooner rather than later, this designation would be replaced by another that unambiguously emphasizes the centrality of the *human* – not as an adjective but as the subject. In the world of work, as in any other context, we must consciously resist the potential depersonalization of labor to ensure that personal human relationships are always given the priority they deserve.”

Here, we shift our discussion to the workplace, which, like the world at large, has been characterized by disconnection lately. One of the downsides of the pandemic forcing everyone to work remotely has been workers saying they now feel, well, *remote* from their coworkers. And as a *Harvard Business Review* article noted, those feelings of disconnection are translating into higher turnover, lower productivity, more absenteeism and lower quality of work, whereas the opposite is true of employees who say they feel a real sense of belonging. The takeaway? It’s more important than ever to create the conditions that promote meaningful connection at work.

It starts, as Fontrodona explained, by getting our priorities straight. Everyone says, “People are our greatest asset,” yet how many actually believe it and put it into practice? In this sense, it’s worth revisiting the timeless teachings of the late Juan Antonio Perez Lopez (see the sidebar by John Almandoz).



Juan Antonio Perez Lopez
Former Dean of
IESE Business School

Reconnecting our divided societies

The teachings of the late Juan Antonio Perez Lopez have a lot to offer, as John Almandoz explains.

Preparing for a conference on the legacy of the late IESE professor and dean Juan Antonio Perez Lopez (1934-1996), I came across an old teaching note in which Perez Lopez foresaw the potential “social disaster” of the free-market system unless a “control mechanism” could be found – one that treated personal flourishing and social order on a par with corporate prosperity. Given the growing trend of putting purpose at the heart of business, the business world finally seems to be catching up with his ideas.

Perez Lopez reminds us that people are not merely self-interested, driven by material wants, but also social

beings, driven by intrinsic motives and transcendent needs. These transcendent needs can only be satisfied by contributing to the welfare of others. For Perez Lopez, good leadership involves not only attaining business results but also developing and building people, one by one, and uniting an organization toward an inspiring purpose of serving people and society in its daily operations. This kind of leadership is transformative for managers, resulting in greater unity and cohesion throughout the organization.

This model of the firm is not only better than the neoclassical alternative, but it may also be the best hope we have to mend the future for a world in need of transformation. As business leaders, we should seek to reconnect people. And even when we fall short of the ideal, we will still be better off for having tried.



John Almandoz
holds the newly created Juan Antonio Perez Lopez Chair, contributing research on human action in companies, based on the theories of Perez Lopez.

IESE's Antonio Argandoña, writing in *La empresa, una comunidad de personas* (*The company, a community of people*) draws upon Perez Lopez's wisdom when he calls for ethical people management: "Managers should create spaces where employees feel trusted. Believe in your team. Give them responsibility and resources. Avoid constant checks and micromanagement. Allow them room to err and offer constructive criticism. This makes it easier for employees to connect with the organization and enjoy harmonious, collaborative working relationships, as they should. Such workplaces encourage each person to offer up the best of themselves – to the company, to customers, to colleagues, to society."

Managers should create spaces where employees feel trusted. Encourage each one to offer the best of themselves

Connecting global talent

As mentioned, COVID-19 occasioned a dramatic drop in physical global mobility as individuals, whether expatriates or global business travelers, suddenly pivoted to virtual global work. Instead of moving people to work, work moved to people.

According to a paper by IESE's Sebastian Reiche et al. published in the *Journal of Global Mobility*, virtual global mobility, or VGM, is a trend that's here to stay. Not flying your executives around the world to attend a meeting at a moment's notice is certainly more cost-efficient; and the new development and deploy-

Tips for better VGM

Time zone preferences

Try to accommodate team member preferences for connection times, and ensure the "suffering" of connecting at unsociable hours is shared equally.

Rules of engagement

Set clear expectations for videoconferencing: when you'll communicate and how, e.g., rephrasing what was said, summing up what was agreed, recording calls.

Trust your team

Focus on outputs ("Please deliver x by z") and then let them get on with it without constantly checking up on them.

Overcoming emotional distance

Encourage informal conversations. Ask people about their needs. Be positive, uplifting and hopeful. Kids or a cat jumping into the frame is not any reason to apologize but an opportunity to connect with colleagues, conveying one's personal life and identity.

ment of ICT “could generate revenues by creating new business opportunities,” not to mention giving workers more choice, state the authors. However, they add that VGM could imply “profound changes in working patterns, talent development investment and recipients, as well as possible changes in organizational power structures over time.”

For example, one of the benefits of face-to-face meetings was to help foster connections between headquarters and host country employees, building trust and shared group norms. If VGM supplants that, then multinational companies must figure out how they will ensure the same familiarity with corporate policies and the necessary transfer of managerial expertise, specialized technical know-how and professional training that was previously served by corporate expatriates on short-term assignments. Companies may well need to

Global leadership entails the challenge of creating cross-cultural connection

implement some hybrid form of global work in order to maintain the requisite level of connectedness on which their competitive strategic advantage depends.

Connecting cross-culturally

Another requirement to maintain effective global leadership is the ability to connect with people from different cultures. Global leadership, by definition, entails leading across cultures from which arises the challenge of how to view difference, how to manage difference, and how to bridge differences and create cross-cultural connection, as research by IESE’s Yih-Teen Lee consistently shows.

In “Connecting across cultures” published in *Advances in Global Leadership*, Farah Y. Shakir (IESE PhD) and Lee interviewed numerous multicultural leaders and found that certain identity-defining experiences helped give rise to three specific qualities which better enable individuals to connect with people from different backgrounds:



1. An early experience of feeling like an outsider can develop *empathy* toward others also considered outsiders. This creates *emotional connection* with others.
2. Discovering your own identity in relation to the rest of society requires *perspective-taking*. This entails learning about other cultures and weighing commonalities among differences, which creates *cognitive connection*.
3. With confidence in one's own identity comes the ability to maintain core values when taking on local perspectives. This quality of *integration* creates *behavioral connection* in a spirit of collaboration.

The authors recommend that these three dimensions be incorporated into global leadership development, going beyond a shallow list of cultural traits to instead focus on meaningful behaviors. As they explain in their paper, "Many cultural training programs fail because they tend to put too much emphasis on culture-specific knowledge. Simple stereotypes about national cultures do not prepare people for culturally complex situations."

Shakir elaborated on this point in a TEDxIESEBarcelona talk. Drawing on her own story as a Pakistani-Canadian with a unique mix of backgrounds, she shared her own identity-defining experiences of when she had felt like an outsider. "We live in a world which is overshadowed by warfare and economic extremes, illustrating just how far we are from connectedness. How can we reach a meeting point in such conflicting times?"

For organizations, it demands fostering activities that generate emotional, cognitive and behavioral connections, and environments "where there is a



real sense of belonging, where people feel respected and included, regardless of their backgrounds. When people are acknowledged for who they are, it removes distractions, leading to their full potential.”

On the personal level, Shakir challenged each and every individual “to speak to someone who looks different or speaks differently. It’s a powerful ability we each have to make another person staring in from the outside to feel connected and accepted.”

Building on these ideas, in other research with the University of Michigan’s Shawn Quinn, Lee elaborates a “dynamic balancing framework” for leading across cultures. Their framework blends the ancient Chinese concept of duality with modern theories of ambidexterity, in keeping with the nature of cross-cultural connection, which requires paying attention to commonalities while simultaneously recognizing and respecting differences.

To seek commonality, the authors recommend that managers should: establish relational connections through universal human values like love, caring and respect; define common goals and shared objectives; and foster a shared identity that gives everyone a collective sense of psychological ownership and belonging.

At the same time, to preserve difference, managers should: understand and respect the values and behavioral norms that are different from the common ones; contextualize common goals and objectives according to local needs; and validate the unique qualities, strengths and identities of each cultural group underneath the common umbrella.

The commonality actions *enable* preserving difference, just as preserving difference *legitimizes* our commonality. Such complementarity speaks both to the dynamic nature of the framework as well as to the delicate balance that must be struck to pursue both agendas concurrently.



“In my view, the most critical task for leaders today is cross-cultural connectedness,” says Lee, “which can be achieved by connecting with people at emotional, cognitive and behavioral levels – always being mindful of the ‘dynamic balancing’ involved in doing so.”

Connecting our diversity

When inclusion is not achieved, you end up with in-groups and out-groups; rather than being a unifying force, identity is used as a wedge. Left unaddressed, employees may feel the only way to overcome the disconnection they feel at work is to quit their job and go off and work on their own terms. Indeed, many entrepreneurs cite frustration with their former employment as one of the motivators for launching their own business. If this is so, what happens when you remove those frustrations?

Knowing that discrimination and being made to feel like an outsider are key factors in workers leaving a company *and* knowing that a diverse workforce has long been associated with multiple firm benefits, IESE’s Giovanni Valentini decided to explore the effect of antidiscrimination legislation on entrepreneurship. Specifically, he studied the U.S. Employment Non-Discrimination Acts, whose staggered rollout enabled him and his two co-authors to compare the effects of minority employee protection in 15 states that had enacted the legislation with states that had not, over the course of several years.





So, does protecting traditionally oppressed groups – members of racial minorities or, most recently, the LGBT community – from workplace discrimination have a noticeable impact on entrepreneurship? Yes, according to their paper published in the *Strategic Management Journal*, though perhaps not in the way one would think. The paper puts forward that the antidiscrimination laws lead to relatively fewer startups but they are of higher quality, controlling for other factors.

Many public policies promote entrepreneurship to create jobs, but not all startups are created equal: some end up squandering resources when they fail. That is one reason why Valentini's research looked at measures of startup *quality*: survival rates after five years, the amount of venture capital invested, and the number of patents awarded. For these three variables, his results were clear: the relatively fewer startups created after antidiscrimination laws were passed were of significantly higher quality compared with those of the control groups. "We think it's better to have higher quality startups because they can ultimately create more and better jobs," Valentini says.

What he sees going on is that fewer people are *forced* to become entrepreneurs because discrimination on the job had limited their options. If more people feel welcome in an organization, they can positively contribute as part of a unified workforce.

For business, "we believe there are clearly more pros than cons when diversity is encouraged," he says, emphasizing that, when it comes to antidiscrimination, moral reasons win out over the business case. "Diversity is a positive value in and of itself; antidiscrimination laws are a good thing, because discrimination shouldn't happen."

Adopting this connectedness mindset is transformational and generates a chain reaction for future generations

Connected for the future

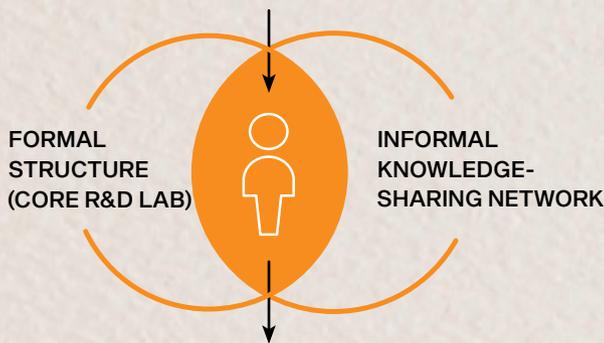
"Whatever our activity, we should always approach it with an awareness and appreciation of our deep connection with others: we do not do it alone but in dialogue, in co-creation, with others." So remarked Maria Iraburu Elizalde on her historic appointment as the first female president of the University of Navarra. "Adopting this connectedness mindset is transformational and generates a chain reaction for future generations. What inheritance do we want to pass on to them? After all, we do what we do for the sake of those who come after, for the positive social impact we will leave behind, for and with the help of others." ■

Network connectedness

Research-based tips for reaping the rewards of working together.

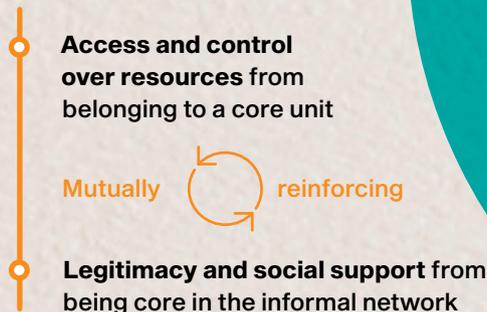
Which positions in an organization have the greatest impact on incremental innovation productivity?

These individuals act as innovation “engines”



Individuals who work in a core R&D lab **AND** who are also at the core of the informal knowledge-sharing network (aka core/core) have the **highest innovation productivity** (measured as the number of product developments and incremental innovation improvements).

DOUBLE BENEFITS



BUT core/core individuals whose knowledge-sharing ties are disproportionately toward colleagues located in the network periphery reap fewer benefits.



TIPS

- **Identify** core/core employees.
- **Shield them:** Core/core employees, by being more in demand, might spread themselves too thin.

- **Keep them focused** on other core colleagues, without neglecting less-central individuals.
- **Move core individuals** in peripheral units to the core.
- As network ties reconfigure, **protect and nurture new cores.**

How to amplify and extend cooperative behavior and collaborative performance when working together on a shared project...



1 Encourage proximity*

Physically

Reducing physical distance improves the collaboration effectiveness between employees.

Relationally

Sitting closer stimulates communication, reciprocity and cooperation.

Affectively

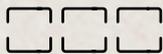
Strong affective closeness, developed from investing time and energy in the working relationship, mediates the above and strengthens the positive effects.

*Based on a study of two regional offices that relocated to a single site.



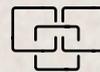
2 Normalize helpful behavior*

When triads (three individuals) behave in a helpful manner toward each other – providing intellectual or material support without expecting anything in return – the collaborations last longer, possibly through a micro-environment of shared identities, understandings and norms that mediates conflicts, creates a sense of belonging, and shifts interests and incentives away from individuals and toward the common interests of the group.



When 3rd party ties are weak

i.e., parties monitor each other but no real helpfulness or cooperative norms exist – the connection won't last when the 3rd party leaves.



However, when 3rd party ties are strong

i.e., where cooperative norms also shape behavior – collaborations tend to persist. Helpful 3rd parties make their collaborators more helpful and better able to withstand conflict, even if the 3rd party is absent.

*Based on a study of researchers who worked together on journal articles and then one of the members left.

SOURCE: "Big fish, big pond?" by Massimo Maoret et al. (<https://doi.org/10.1287/orsc.2020.1365>) and "Helpful behavior and the durability of collaborative ties" by Sampsa Samila et al. (<https://doi.org/10.1287/orsc.2021.1511>) are both published in *Organization Science*. Also co-authored by Maoret: "Close to me: studying the interplay between physical and social space on dyadic collaboration," Academy of Management Annual Meeting Proceedings.

**Pilar de Castro-Manglano**

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Leadership requires social contact



Humans are social by nature. Human connect- edness is not only key to our survival as a species, but it also allows us to grow and de- velop as individuals. For leaders, self-knowl- edge, along with empathy, observation and active listening, is the starting point for managing others ef- fectively. So believes Pilar de Castro-Manglano, a psychiatrist at the Clínica Universidad de Navarra in Spain, which cele- brates its 60th anniversary in 2022. Here, she highlights the importance of in-person relationships, despite the current challenges in building and maintaining them.

The COVID-19 pandemic made face-to-face contact dif- ficult, if not sometimes impossible. How has this affect- ed our health?

What we are experiencing today is the aftermath of a devel- opmental slowdown that is manifesting itself among various

segments of society. In children, there has been a notable setback in learning and the soft skills developed through interaction with peers. Adolescents have spent too much time in front of screens and social media networks, which has distorted their self-esteem. They have also lost the rou- tines and habits that structure daily life and strengthen the learning process, which are especially important when going on to higher education or employment. As spaces for social encounters have diminished, young people have lost out on chances for new experiences, new friends and romantic re- lationships. Adults have been highly stressed from juggling online work with caring for children and/or elderly parents, from the lack of outside help, and from worrying about their own jobs or health. For the elderly, prolonged isolation from loved ones has worn them down and aged them prematurely, leading to a crisis of loneliness.

How should we deal with all this?

The pandemic has a long emotional tail, typical of extraor- dinary situations. But it has brought some good things, too: workplace flexibility, less commuting and the reduced costs associated with that, more time spent with families and to reflect on what we really value in life. Difficulties teach us vulnerability and empathy. If we can learn from that, we will emerge stronger as individuals and as a society.

As we gain a clearer understanding of the virus and the ben- efits and limitations of the measures used to fight it, we urgently need to normalize social and family relationships, including intergenerational relationships, without neglect- ing preventive actions against the pandemic. The elderly

Why we need connectedness

Pilar de Castro-Manglano believes a loss of in-person relationships impoverishes organizations and societies on multiple levels. Face-to-face interactions help you to:

- ✓ **Truly know yourself.** This helps you overcome your own vulnerabilities and develop positive traits that promote personal wellbeing.
- ✓ **Develop coping strategies.** The more you interact with others, the better you are able to deal with interpersonal conflict.
- ✓ **Learn.** Relationship behaviors are a source of knowledge and growth.
- ✓ **Be more creative.** Social exchanges spark new ideas, enrich the quality of those ideas and increase the capacity for innovation.
- ✓ **Build strong social networks.** You will have more stable and lasting relationships to rely on and draw upon.

“With connectedness comes the integrity and trust needed to be a good leader”

and shut-ins, for example, need the vitality that comes from close regular contact with young people, and young people can benefit from the wisdom and experience of their elders. To this end, I think initiatives like Adopt a Grandparent (*Adopta un Abuelo*) by Alberto Cabanes (Executive MBA '23), to connect the generations, are necessary and important.

We also need to learn to forgive and overlook the differences that have fractured families during this period, to reestablish ties, and make this an opportunity for personal and social growth. Use past hurdles to remind you of what is truly important. And start enjoying small pleasures once again.

Not everyone is ready to go out again. How can we help people return to society?

Fear can be irrational. It paralyzes, generates stress and affects physical and mental health. We need to be respectful of those who still feel that way. But we must help them to rationalize it. The best way is to dismantle myths and provide evidence-based resources and information, so that people can resume their lives as normally as possible.

In research with IESE's Mireia Las Heras, you pointed out the limits of online working. Why should companies encourage in-person contact?

Working completely online hinders the development of human relationships – the aspect that goes beyond work and enriches us personally. For example, workplace decision-making becomes easier when supported by a prior social bond. These bonds often develop in small moments: a coffee break; a meal where personal issues arise naturally; helping an overwhelmed colleague, which is harder to detect when that person is working remotely. Working face-to-face often stabilizes relationships. It requires social skills – saying no respectfully, picking up on conversational cues – which are learned through practice.

Why do we work better when we have a social bond?

These bonds reveal what others need, what you can contribute and what you need yourself. Only ever relating to people via an online platform can be dehumanizing – we start treating each other as numbers. And while screens can give us



“Social bonds reveal what others need, **what you can contribute** and what you need yourself”

direct access to other people wherever they are, they also make it more difficult to fully know them – their unique ways of working and relating; their personal handshake, so to speak.

How does this affect people management?

Leadership requires social contact. We’re currently headed toward more virtual leadership, which has its pros and cons. It means managers can reach many more people, more quickly, but that contact might be colder or less personal.

Also, when conflict arises – as it invariably will do in any relationship – it’s easier to disconnect from an online conflict in a way that you can’t when that person is sitting right there in front of you.

However, when you are forced to see someone every day, you’re more likely to look for ways to improve the relationship. Conflict is not necessarily a bad thing; it can make us see things from another point of view, which promotes empathy. And in learning to coexist, we grow closer.

Those who are able to genuinely empathize and listen – who understand how to respect others and be respected – develop maturity, live freer and are more capable of leading teams and becoming leaders in society. With connectedness comes the integrity, exemplary behavior and trust needed to be a good leader. ■



Photos courtesy of Sanjali Nirwani/Unlocked India

Sanjali Nirwani
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www.unlocked.co.in



Where is your third space?



A need for offline activities and post-pandemic reunions with family and friends is fueling a boom in board games, reported *The Guardian*. After two tough years, people are ready to reconnect, which is good news for Sanjali Nirwani (IESE MBA '14) who combined her keen interest in social entrepreneurship, travel, food, board games and cultural exploration into a high-concept café in her native country of India. In doing so, Nirwani is tapping into a pursuit as old as time: Archaeologists have dug up board games dating back millennia, with the most recent find being a 4,000-year-old stone board game in Oman that may be an antecedent to another ancient Middle Eastern game believed to be a precursor to backgammon. The universally enjoyed experience of playing a board game is one aspect of a “third space” – a metaphorical or physical place where human relationships and meaningful bonding are prioritized, making everyone a winner. Here, Nirwani explains what connectedness means to her, based on a talk she gave at a TEDxIESEBarcelona event organized in 2021 on the theme of “The future of relationships.”

Where are you from? I often get asked this question. The answer is tricky. I was born in India, but I moved around a lot. I have lived in 15 cities and traveled to over 33 countries. Sometimes, I simply say I’m Indian; other times, I may say I’m a citizen of the world. As a young girl, I developed a sense of exploration. New places and new friends excited me, although every time I moved, there was also a displacement of identity.

Looking back now, I realize I grounded my sense of identity in what sociologists call “the third space.” The first space is your home, the second space is your workplace or educational institution, but the third space is where you enhance the relationships and connections that anchor you when your first space and second space are in a constant state of flux; these relationships and connections make life worth living.

The third space could be anyplace: a café, a bar, a place of worship, a bookstore, a hobby; it could even just be a feeling or a state of mind. For me, as a girl, it was playing team sports: not just playing the sport itself but the banter and camaraderie around it; those moments when real connection was formed. Later, when I moved to Barcelona to study at IESE, it was relating with my classmates. We were a group of strangers coming from all around the world – Germany, Jamaica, the Philippines, Puerto Rico, the United States, to name a few – but it didn't matter where we had come from, we all connected, particularly outside of class over a board game.

The Settlers of Catan is a strategy board game that some might say is responsible for destroying friendships more than for making them, but when we played, there was a real sense of being part of something bigger that went beyond superficial interactions to something much deeper. The third space.

A few years later, while working in Amsterdam, everyone used to go to a bar located below the company headquarters. We would meet there every Friday. Suddenly, it wasn't just "Michelle or Lucas from the 10th floor" but a real person with real stories to share. I remember having long, philosophical conversations with the CEO of the company, someone way higher up than me, but in that bar we were just two humans connecting. We ate *bitterballen* – Dutch croquettes – which connected us to the culture of the place itself. These were little experiences that helped form who I am today. The third space.



We want to celebrate togetherness, with games to bring you closer to the people you're with

In Yuval Noah Harari's book *Sapiens*, he talks about what distinguishes humans from, say, chimpanzees or other animals on the planet. We may not be the strongest species, yet we dominate the world chiefly for our ability to imagine fictional realities, to tell stories and believe them to be true.

Storytelling cultivates emotional connection – a sense of empathy and togetherness. Neuroscientists have found that a good story activates the brain as if you are actually experiencing for yourself what the other person is telling you. Oxytocin – the "feel good" hormone – is released. We are motivated to engage in prosocial behavior.

All of these ideas and experiences were in my mind when I decided to use my entrepreneurial abilities to launch my own humble venture – a third space for cultivating connectedness – in India in 2017. Unlocked is the first of its kind space with one of India's largest libraries of board games, an international cuisine restaurant and an escape room. From the minute you walk through the door, it's like entering a game or a puzzle. We want to transport people to another dimension, to celebrate togetherness, with games to bring you closer to the people you're with, be they friends, family, colleagues or even strangers.

A typical day would see a family spanning three generations, a few groups of millennials, some couples and some gaming enthusiasts, all with one thing in common: no cell phones, lots of laughter, and true bonding over food and games in a good old-fashioned way.



A hundred years ago, my grandfather spent his entire life in one community where everybody knew him. The concept of a stranger was, well, *strange*. Today, we live in a world of strangers where we hardly even know our next-door neighbor. Our societies have become individualistic. Technology has made relationships more complex and increasingly transactional. A plethora of dating apps gives a sense of unlimited options but no real connections. Being an influencer on Instagram, where your social media life may be completely different from reality, is a career option. Our attention spans have been reduced to 15-second TikTok videos. I recently read an article that said it takes only seven seconds to form an impression of someone you meet. The thought of this is mind-boggling: We are essentially judging people all the time. Whenever you meet someone new, you are essentially giving them an instant tick of yes or no. I sometimes wonder if my future children or grandchildren will be so immersed in technological relationships that they will forget how to socialize with someone over a drink or a board game. Let's try to change that.

When the COVID-19 pandemic hit, we were all forced into lockdown. For me, as an explorer of spaces, what was most fascinating to witness was that, during that time, the first space and the second space merged. Our living rooms became

our offices, our schools and even our socializing spaces, with Zoom birthday parties or game nights. It was during that time that the existence of the third space was under threat.

As COVID restrictions ease up, the need to preserve the third space becomes even more important. As the world opens up, I would encourage everyone to go out into your communities and create offline spaces – to form real relationships. When things get bad, remember the Italians, singing and dancing on their balconies, and use your own imagination to create a community around a shared passion. We can be socially distanced yet still *together*.

The next time you go to your favorite restaurant or your usual café, look at it with fresh eyes. Reflect back on your own life: Where is your third space? When were those times when you stepped off the hamster wheel and were truly present with and for other people? Be mindful of that space, and nurture the relationship with yourself and with those around you. ■

WATCH: Sanjali Nirwani speaks on “Building meaningful relationships in a world of strangers” at <https://www.youtube.com/watch?v=jTHGnqyfQ2o>.

READ ALSO: “Your move: how chess gives strategies for life” in *IESE Business School Insight* #158.

What kind of role model are you?



Anneloes Raes

Associate Professor in the Department of Managing People in Organizations and holder of the Puig Chair of Global Leadership Development at IESE



How can a Top Management Team (TMT), through their own behavior, set the tone for an organizational climate of connectedness and enhance employee wellbeing? This is a question that I have explored for years in a series of studies and, in the face of current challenges, it has gained new momentum.

In this edition of *IESE Business School Insight*, the importance of connectedness has been highlighted from different perspectives, all with the common conclusion that it is something positive for both individuals and organizations.

As a role model for organizational behavior, TMTs (i.e., boards and senior leadership teams) are in a position to set the stage for how they want people to interact and connect. People look up to these managers and interpret their behavior as a sign of what is expected and legitimate. Therefore, while some may believe that what happens in the boardroom stays in the boardroom, my research suggests otherwise. What we see is that the behavior of the TMT trickles down in the organization as a whole and, as such, may shape the behavior of everyone else, for good and for bad.

In a new study published in *Long Range Planning*, Simon de Jong (Maastricht University), Heike Bruch (University of St. Gallen) and I surveyed the board members, middle managers, employees and HR professionals of 100 organizations. In a previous study, we had demonstrated that a high level of intra-TMT connectedness – measured by what we called “behavioral integration” – related to a more positive organizational climate. In this new study, we demonstrate an even more profound effect: The absence of TMT cohesion and connectedness relates to a more negative and corrosive organizational climate. This means that connectedness in the boardroom – or the lack thereof – has direct implications for connectedness in the organization as a whole.

We also observed direct consequences of a more positive vs. more corrosive climate for the wellbeing of employees, in terms of job satisfaction

and turnover intentions. Working in a climate of productive collaboration makes employees more satisfied and less likely to leave. A corrosive climate, however, increases the chances that people will leave. These findings underscore a point made elsewhere in this report: that people have a basic need for human connectedness and may seek employment elsewhere if such basic needs are not met. With scarcity of talent plaguing many countries and industries, no one can afford *not* to pay close attention to how their organizational climate may be helping or hurting the satisfaction and wellbeing of employees.

While top managers generally see the advantages of connectedness and teamwork at the top, it is not so easy to implement it. A leadership mindset of one-captain-on-a-ship, beliefs about the type of personalities that make it to the top, and fears of endless debates and conflicts among opposing interests may all stand in the way of developing true teamwork at the top. Yet, in the face of our current geopolitical challenges, ongoing concerns about the COVID-19 pandemic and its aftermath, as well as trends for more decentralized, team-based, agile organizations, it's worth the effort to ensure that TMTs can adequately thrive in the new reality.

The skills to make teamwork and connectedness in the boardroom a living reality include: the ability to communicate about the TMT's internal dynamics; being disciplined about complementary roles and responsibilities; and selecting senior managers with the drive and ability to thrive in building human connections. Above all, one must accept that building and maintaining relationships take time and dedication. How prepared are you to invest in your top team relationships? ■



A new perspective

THE BIG PICTURE

The music industry's catchy rhythm

The music industry was among the first to suffer the disruptive effects of digitalization – which also made it one of the first to reinvent itself. After bottoming out in 2010, the industry has been growing at a healthy rhythm and doesn't look set to stop this decade. This will be music to the ears of those who are able to anticipate the changes ahead and adapt to the new soundscape.

Who is louder and who is losing sound?

Independents turn up the volume

More value is being created for independent labels and artists relative to the majors

+57.7%

The percentage of streaming revenue that **independent labels** captured between 2018 and 2019 through Spotify has grown worldwide, reaching 831 million euros.

+47.7%

The percentage of streaming revenue that **independent artists** captured between 2018 and 2019 through Spotify has grown worldwide, reaching 387 million euros.

-17%

Analysis of Spotify song streams in the U.S. on a typical weekday between 2018 and 2020 registered a decrease in Top 40 song streams.

↓ TOP 10

There is much less favoritism for the Top 10: In 2005, near the height of CD album sales, the Top 10 artists in the U.K. accounted for 13% of sales, while in 2020 they only garnered 5% of all streaming revenue.

Artists

Less concentration



SOURCE: "The Music Industry in the 2020s," a technical note by IESE's Govert Vroom, Abhishek Deshmane and Isaac Sastre, is available from www.iese-publishing.com where Vroom and Sastre have also published a best-selling series of case studies on the music streamer Spotify.



Radio

Traditional is stable while digital is growing significantly

+33.7%

The reach of traditional and digital radio advertising between 2017 and 2026 is expected to exceed 4.7 billion listeners.

Live music

An increasingly important source of revenue

+28.6%

Global live music industry revenue (sponsorship and ticket sales) between 2014 and 2024 is expected to reach \$31 billion.

Podcast

An increasingly desired format

+117%

The number of podcast listeners in the U.S. between 2017 to 2024 is estimated to reach 100 million.

New voices

Digital media allow music to be combined with innumerable other activities, resulting in entirely new business models and the entry of some surprising new players.



Peloton

The at-home exercise bike with a screen to watch exercise videos has teamed up with musical artists such as Beyoncé to stream exclusive content to its subscribers as they work out.



Epic Games

Videogame publishers license new music tracks for their games. One example is a virtual concert by DJ/producer Marshmello performed inside a Fortnite game, where players could also purchase digital "skins" to wear inside the game.



UFC

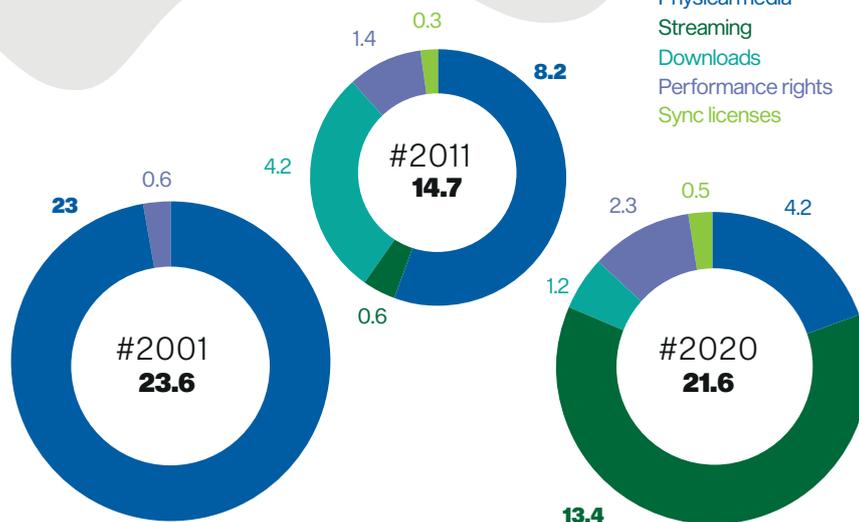
The combat sports promoter has launched a streaming music service so fans can listen to the playlists of their favorite fighters, showing just how easy it is for everyone to get in on the act.

Moving to the streaming beat

In the early 2000s, music was blasting out of CD players. Twenty years later, smartphones and IoT devices are the norm, and vinyl has become a cult object.

Global music industry revenue

(in billions of dollars)



Masked behavior

A clear rule, combined with a compelling social or moral reason for following it, seems to work best for encouraging people to engage in less risky behavior. Knowing this could help in managing COVID-19.

The above was the finding of researchers who devised an online game in which players made choices involving more or less risk to win money (as a proxy for simulating COVID behaviors). In the game, 100 players started out blue (representing healthy) and eight players randomly turned purple (infected). Over 25 rounds, players chose between two actions: G (playing it safe, meant to represent mask wearing or distancing, for a possible reward of 8 points) and H (taking more risk, for a possible reward of 40 points). Players randomly paired with a purple player had a higher chance of turning purple themselves, with that chance influenced by whether they chose G or H. In the end, only blue players were rewarded. Five interventions were tested:

Observing behavior. Players were made aware of others' behavior, with the idea being that such descriptive information might positively influence others to conform with the majority. However, the opposite happened: risk-taking increased to 46% (compared with 36% in the control group) and infections rose to 73% (63% in the control), the highest in the study.

Learning from others. Players were exposed to the outcomes of previous participants' games. This kind of vicarious learning



is akin to following other nations' infection rates and lockdown rules. Interestingly, this didn't slow transmission rates either: risk-taking increased to 44% and resulted in 71% infected.

Simulation. Players could preview possible outcomes before they committed to an action. This kind of teaching tool lowered risk-taking to 34% and infections to 60%.

Chain of infection. Players saw a tree diagram depicting how early risk-taking could have a cascading effect, causing many others to turn purple over time. With this, risky behavior declined to 30% and infection to 57%.

Injunctive messaging. Here, participants had risk-taking consequences explained and they played beneath a sign reading, "Choose action G to protect your and other players' bonus money" (akin to public health messages like "Stay home, save lives"). This proved the most successful intervention by far, with only 19% opting for higher risk and 43% infected.

In sum, communication that focused on the actions of others (e.g., describing how others were wearing masks) prompted greater risk-taking. Yet there was also a significant swing group of approximately 1 in 3 who could be dissuaded from taking risks, given the appropriate intervention. Knowing this can have real-life consequences.

Sebastian Hafenbrädl et al.



"The transmission game: testing behavioral interventions in a pandemic-like simulation"
Science Advances

<https://www.science.org/doi/10.1126/sciadv.abk0428>

Rethinking choice overload

Choice overload has received a lot of attention, prompting companies such as Procter & Gamble and Costco to streamline their offerings by cutting product lines, which reportedly caused their sales to go up. But less isn't always more. While too much choice may be a problem in the United States, in less industrialized markets the bigger problem is too little choice. That is the finding of a study of six countries representing nearly half the world's population (Brazil, China, India, Japan, Russia and the United States). Too little choice seriously affected the wellbeing of those surveyed, particularly when it came to consequential things like access to physicians, education and jobs, as opposed to, say, soft drinks. There is also a cultural component: In Japan, for instance, consumers didn't report feeling as overwhelmed by a huge number of commercial offerings as some other countries did. For marketers, the link between too many choices and subsequent dissatisfaction is not so clear cut. Depending on the market and what you are offering, sometimes more choice is better.



Supporting dads

Research shows working fathers would happily spend more time in family dinners, playing and reading with their children if they were allowed to do so. It starts at the top. Supervisors who talk about their own experiences of managing work and family demands – and who encourage others to do the same – send an important management signal, letting fathers feel it's okay for them to dedicate more time to family. As with working mothers, men may worry that asking for work flexibility

for family needs might jeopardize their career paths. That is why career paths should be tailored to individual needs, allowing meaningful time off without penalizing anyone's prospects. Supporting dads doesn't just benefit the children and the men themselves; it also shares the load of working moms. The more family support, the less work-family conflict, burnout and leaving intentions, and the greater job satisfaction and work-family balance for employees. With more fathers embracing caregiving roles and identities beyond just being a breadwinner, it's time for all organizations to catch up.



Elena Reutskaja et al.

"Choice deprivation, choice overload and satisfaction with choices across six nations"
Journal of International Marketing

<https://doi.org/10.1177/1069031X211073821>



Mireia Las Heras et al.

Engaged fatherhood for men, families and gender equality

<https://link.springer.com/content/pdf/10.1007%2F978-3-030-75645-1.pdf>





IESE employees and MBA students gathered on the Barcelona campus for an interreligious act for peace in Ukraine.



CONNECTED THROUGH CONFLICT



The war in Ukraine has shocked and saddened all of us. As a global business school based in Europe, we have a number of current and former students, faculty members and employees with personal or professional ties to the countries affected, both directly and those on the border. And all of us, regardless of our countries of origin, hope for a world at peace.

Many alumni have reached out about ways to ameliorate the humanitarian crisis. We believe that our alumni community, with its diverse talent and facility to connect, has the ability to make a difference, and we would encourage everyone to do so.

Here we highlight what some have done.



From left to right: Christine Woll, Reto Wicki, Maryna Koltsova, Victor Ghereg and Joanne Dixon with their GEMBA Class of 2019.

“Hey, guys, we can really do something!”

Global Executive MBAs use their connections to mobilize aid for Ukraine.

Two weeks before the Russian invasion of Ukraine, Maryna Koltsova’s company – a multinational consulting firm – suggested that she leave Kyiv. She was hesitant to take such a drastic step. Born in Ukraine, she had deep ties to the place. War looked uncertain. Her three children were in school there.

Everything changed quickly in the days after the invasion. After waiting several days, she knew she must try to leave. Taking advantage of a cloudy day when bombing was less, she loaded nine people and whatever luggage could fit into her seven-seater car. They chose a slower route through small villages, passing through checkpoint after checkpoint, because it seemed safer – a 10-hour journey in total, or more than twice what it would normally take.

Finally, on March 1, they made it safely to Moldova, where they were met by Victor Ghereg, a former classmate from IESE’s Global Executive MBA program.

For Koltsova, going to Moldova and then on to the Czech Republic is little solace, as she worries about the people left behind. “I’m safe and I feel guilty,” she says. “There are still so many people there.”

Koltsova and Ghereg are part of a group of IESE alumni, most from the GEMBA Class of 2019, who have mobilized to provide medical supplies to hospitals and doctors in Ukraine.

Even before the invasion, the classmates were in close contact. They had a WhatsApp group, arranging video calls every three to four months and meeting up whenever travel brought them to the same cities. As Christine Woll, the Berlin-based class president, recalls, much of their chat revolved around birthdays and other celebrations.

When the invasion happened, the chat turned to how they could help. Woll remembers Ghereg spoke up: “He said, ‘Hey, guys, we can really do something!’”

Ghereg’s Medical Foundation of Moldova, working to strengthen the healthcare system in Moldova since 1994, had experience in donating and delivering food and medical supplies.

With a specialized warehouse in Moldova, it was well-positioned to pivot to providing supplies to Ukraine.

“We have good connections on site,” Ghereg says. “We’re able to deliver goods to the point where those goods are really needed.”

Despite that logistical advantage, the beginnings were difficult. Fundraising for the first delivery ran into hitches in international payment systems. Ghereg also had to secure permission and documentation from the Moldovan government to be able to export supplies.

But within 10 days of launching the project, they had raised €12,000, mostly from individual donors, and a truck was on its way to the west-central Ukrainian city of Vinnytsia, where supplies – including surgical gloves and gowns, bandages, intubation equipment and antibiotics – were distributed to area hospitals.

On the Ukrainian side of the border, they receive logistics support from Kirill Goncharuk (IESE GEMBA ’22) and they also collaborate with Fozzy Group, a large Ukraine-based retail logistics company with hospital connections.

“What makes this project special is that it’s professional medical supplies going straight to doctors and hospitals,” Woll says.

Filatov Institute, one of Ukraine’s largest eye hospitals, requested specific equipment; the group was immediately able to meet the request, thanks to a donation by a private Zurich-based civil organization. Those funds came about thanks to another GEMBA 2019 alum. “I was able to explain to them how close we are to this entire process,” says Reto Wicki, “and that we all know each other personally and there’s a fair amount of trust.”

Now, they are working to scale up the enterprise. While the GEMBA group effectively mobilized their personal networks, it needs to go beyond that to continue. As typically happens after the initial outpouring of interest, the images of war in Ukraine become commonplace, and donations slow down as people move on.

“Everyone gave quickly, and we were able to mobilize the first delivery,” says Joanne Dixon, who is based in Madrid. “Maintaining the momentum is the biggest challenge now.” ■

Get involved

IESE is compiling initiatives by members of the IESE community at www.iese.edu/community-ukraine. If you have an initiative, please email AlumniCommunity@iese.edu.

IESE has set up **collection points** on its Barcelona and Madrid campuses for non-perishable food items and medical supplies, which will be donated to groups working to ameliorate the humanitarian crisis in Ukraine and neighboring countries.

In addition, IESE is earmarking a portion of its **Scholarship Fund** to help young Ukrainians displaced by war. The funds will be aimed at students in the Master in Management (MiM) and MBA programs.

Stay abreast of the latest analyses of the situation through the **Alumni Learning Program**, as IESE professors and guest speakers consider the geopolitical, economic and humanitarian consequences of the war. These sessions are open to all alumni and friends who are able to attend in person on the Barcelona or Madrid campus, or follow the talks online via LinkedIn and YouTube. <https://alumni.iese.edu/en/#KeepLearning>

MORE INFO: Medical Foundation of Moldova (MFM) is delivering essential medical and first responder supplies to the people of Ukraine, in collaboration with Medical Aid Delivery (MAD-AID) UK. Donations can be given via their website <https://mfm.md/ukraine-sos/> or go to the group’s Facebook page www.facebook.com/donate/423740059553372/.



Paolo Fusaro

CEO and Co-founder, with
Luis Font, of RobinGood
www.robingood.es



ONE SMART COOKIE

Social impact is baked into RobinGood's business model, which gives new meaning to the term "soul food."

A man sets out on foot from Mali. He wishes to escape spiraling violence and economic precarity. He travels for two years, mostly walking, until he reaches Spain. For many, the story would end there: the man would be an undocumented migrant, unemployed and with few hopes for the future. But his story has turned out differently. Today he has a job with prospects, making artisanal food products sold in premium retail outlets throughout Spain.

The surprising twist in the story is courtesy of RobinGood, a Spanish brand that aims to be a positive force in society by sourcing locally where possible, employing people at risk of poverty or social exclusion, and bringing business back to depopulated towns.

Paolo Fusaro (Executive MBA '17) was on the lookout for a socially responsible project connected with food when he was introduced to Luis Font. "I've had the good luck to have a 'normal' life of privilege," Fusaro explains. Born and raised in Italy, he has also lived in São Paulo; in Paris, where he was purchasing manager for private label products for the French supermarket chain, Carrefour; and now in Barcelona. By the time an EMBA classmate introduced him to Font, he had a hunger to transform the fortunes of those with fewer opportunities. Font had the idea to combine retail with social initiatives; Fusaro brought experience with brands. RobinGood was born.

Ingredients of success

Fusaro came from a successful career in the private sector – as a buyer for Carrefour, an auditor for Deloitte, and managing director in Europe of the HR firm, Polyglot. He also had one unsuccessful venture under his belt. "It's true what they say: that failure is a learning experience," he muses. "I knew how to buy, but I realized I needed to learn how to sell."

By the time he launched RobinGood, he had learned that "you cannot do a social product without superior quality." And superior strategy. Focusing on quality cookies and breadsticks, the first order of business was, simply, to make them delicious. The next order of business was to find a sustainable way to employ vulnerable communities.

In Spain, there are almost 12 million people – a quarter of the population – at risk of poverty or social exclusion. Helping all of them is clearly impossible. So RobinGood partners with special employment foundations, defined as either employing 51% vulnerable populations or giving 100% of dividends to social causes.

"The majority of our employees – 85% – have intellectual or physical disabilities," Fusaro explains. The remaining 15% are from vulnerable migrant populations. In Spain, 65% of people with intellectual disabilities are unemployed, although the positive effects of work in creating stability and a sense of purpose are well documented. Working through these



Making a difference in people's lives is what satisfies Fusaro the most

employment foundations, RobinGood is able to arrange jobs in a supported manufacturing environment and provide permanent contracts.

Another success story is Alex, hired in 2020. At the time, he was an 18-year-old Ukrainian with an intellectual disability who had been abandoned by both his parents and adoptive parents. Regular, dignified work has been key to turning his life around, giving him hope for the future and something to work toward. For Fusaro, it's the knowledge of making concrete differences in the lives of people like Alex that satisfies him most about this venture.

Revitalizing rural towns

"You can't do everything at once, and I can't employ all 12 million vulnerable people in Spain," Fusaro admits. Even so, he has found ways to multiply the company's impact.

One way has been to concentrate some of their employment efforts in small towns. Rural depopulation has been accelerating in Europe since the second half of the 20th century and large swathes of rural Spain are starved of human capital and investment. In Camporrells, near Huesca, the population has dropped to 137. RobinGood is the only company created in the area in the past decade and has provided work for 15 people (over 10% of the population). A further contract offered to help resettle a Syrian family not only adds to the population, it also crucially brings a child who will prevent the local school from closing. These are small changes, but Fusaro believes they can multiply exponentially over time. The idea is to replicate this impact throughout Spain and beyond.

RobinGood is available in a growing number of supermarkets and online, but Fusaro also has plans to increase their impact through partnerships with larger brands. Currently, Danone and Ben & Jerry's are in the mix – multinationals that can help ensure RobinGood ends up at eye level in the supermarket placement battle.

More than pretty packaging

Many companies are striving to go green and earn prosocial credentials. But greenwashing and social washing are rife. How can a company that is really going the extra mile stand out? And how can consumers really know what they are getting?

The only way to fight it is with information: "Brands need to be more and more transparent," says Fusaro. "Consumers are demanding that transparency." Indeed, RobinGood makes it clear that all its packaging is plastic-free, compostable and



PICTURED LEFT TO RIGHT: RobinGood is generating work for dwindling populations in Spanish villages like Camporrells. Co-founder Luis Font was looking for a business idea that would employ people at risk of exclusion. RobinGood has given Alex, a young Ukrainian, hope for the future.

biodegradable. It is currently in the process of trying to be the first Spanish food company to go “Plastic Negative.”

Brands should also build communities to make sure consumers are aware of what they are doing right, and they should subscribe to organizations that demonstrate their commitment. RobinGood, for example, is a certified B Corporation. Although this designation is not as widely known in Europe as in the United States where it started, it certifies the company’s seriousness in achieving social change. RobinGood currently scores over 80, which means the business is demonstrating high standards of verified social and environmental performance.

Fusaro hopes for a label in the future that will do for the social economy what the Nutri-Score label does for nutrition, clearly signaling to consumers the policies and ethics behind the food they eat.

For the moment, Fusaro’s plans are a mix of the practical and the aspirational. RobinGood has begun producing beer from leftover bread (bread is one of the products with the highest food waste). It also hopes to establish a training school to empower others at risk of social exclusion: while they may not be able to provide them all with direct employment, they want to be able to equip them with skills to help them find jobs elsewhere.

Beyond that, “We want to keep generating employment, to help democratize the social category of products – and to keep changing lives.” ■

Building a social enterprise

Make the best product. If consumers pay more, they want quality, not just the feel-good factor.

Don’t forget the business side. Social enterprises aren’t charities, and a product with no sales won’t employ anyone.

Don’t reinvent the wheel. Partnering with associations and foundations makes it more likely your social enterprise will succeed. Experienced partners will have a better idea of how to adapt tasks to specific worker profiles and needs than you trying to figure it out for yourself.

Build community. Make sure people know what you are doing right, and begin a conversation about transparency that all consumers can benefit from.

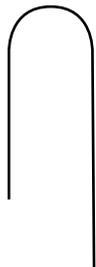


Julie Verdugo

Director of Sustainability + Social Impact, URBN

Verdugo spoke on “Building an equitable future: from awareness to action” at the Women in Business conference and on the Circular Economy at the Doing Good Doing Well conference, both held at IESE.

www.julieverdugo.com



Don't quit your day job

To effect social change, you don't have to leave the corporate world and work for an NGO. As Julie Verdugo discovered, sometimes the biggest changes come from within.

Many of us want to be a force for good in the world but don't know how or where to start. There's a tendency to assume we're too small to make a difference, particularly when working in large multinational corporations. Yet Julie Verdugo feels it is precisely there, in companies with real scale and chance for impact, that we can be the change we want to see.

For Verdugo, a Chilean-American, the idea that she would have to work harder to stand out was ingrained in her from choosing to earn her undergraduate degree in industrial engineering, a male-dominated field. But it wasn't until early jobs took her to factory towns in South America and Asia that her eyes were truly opened to what overcoming obstacles meant. Encountering factory workers – often migrant women of color, some with disabilities – made her appreciate that “I was

actually the most likely to succeed in life.” It was a crash course in understanding on-the-ground realities that allowed some to flourish and held others back. And it set Verdugo on a career path spent trying to reconcile the conflicts between social activism – advocating for sustainable transformation, promoting equality and inclusion of marginalized communities – and pursuing a professional career in the corporate world.

School of hard knocks

While doing her MBA at IESE, Verdugo visited Brazil and fell in love with the artistic communities of Rio de Janeiro's favelas. She toyed with the idea of a sustainable jewelry-making venture to bring artisanal products to larger global markets, but she had already been recruited for a management job at Adidas to start after graduation. In the summer of 2012, before starting her new job, she volunteered with a nonprofit in Rio, running workshops at a favela school.

“I didn’t want to leave my values behind. I really wanted to bring my values to work.”

“It had a dirt floor and a roof that leaked so much that school was canceled every time it rained, which was often,” she recalls. “It also had a back room which housed a fancy, state-of-the-art computer lab – but no information about even how to log on to the computers, and the door to the room was kept locked.”

The computers, it turns out, were the gift of a multinational company, likely a CSR action. Whether for good optics or good intentions, it was clear the company hadn’t done much research.

“The right way to help this community would have been to ask what they needed, rather than swooping in with solutions that weren’t practical or appropriate,” she says. “I still carry the vision of that empty computer lab in a building without a floor.”

Verdugo tells this story not to suggest that corporate initiatives to help those in need are pointless but rather to advocate for more and better efforts. She believes corporate volunteering should be a formalized or even mandatory workplace activity. As she herself experienced, such programs may put people in situations that make them feel uncomfortable – an essential first step in seeing the world from another perspective. This can lead to more compassionate and informed decision-making, and consequently more meaningful impact for those whose lives the volunteering is supposed to benefit.

The value of values

At the end of that summer, Verdugo left Rio for her prearranged job at Adidas. “After my time at the nonprofit, I felt conflicted. I was keen to start my new job, but I didn’t want to leave my values behind. So, I asked my new boss if – in addition to doing the job I had been hired to do – my job description could be adjusted, because I really wanted to bring my values to work.”

In her new boss she found a mentor who promised to make space for both, so long as Verdugo performed where she needed to. The upshot was an impact-driving product capsule collection supporting arts classes in the favelas, sold as part of the Adidas range. Verdugo realized that her reach and impact could be much greater as part of a multinational than if she had just tried to do it herself.

She also realized that you don’t have to be the CEO to have impact. Everyone has the capacity to make small shifts in desired directions, she insists. Start with your own area of influence: Who makes your products? What’s going on in your supply chain? Who are your partners? Are there any women in decision-making positions and on their boards? The answers to these questions will point you to where to focus on making changes.

Getting down to business

With the Adidas experience under her belt, Verdugo is now determined to bring her values to work again, this time at URBN, the global fashion corporation behind such brands as Urban Outfitters, Anthropologie, Free People and Nuuly.

Advocating for sustainability and social inclusion in an industry traditionally not known for those things is an uphill battle. However, being able to speak the language of business certainly helps in making the case for change, rather than simply moralizing about it being the right thing to do, which rarely moves the needle.



CREDIT: Michael Groth

“Many values-based ideas fail because they’re not aligned with the core business,” she says. “Apply rigor and numbers, as you would when measuring success in any other area. I measured sustainable products and initiatives with the same KPIs used across the business and showed they came out ahead. *That* got people listening.”

Verdugo carved out her own role, as director of sustainability and social impact, after pitching it to the CEO. As someone who perceives answers like “no” or “maybe later” as motivation, Verdugo says the solution to these evasions is to state your case in terms managers are used to understanding. “Furthermore, do not be intimidated by the scale of the business if you see an opportunity for growth in an area that you’re passionate about.” Corporations are uniquely placed to deliver results on a large scale.

“We all have so much power and agency within us,” says Verdugo. “Don’t wait to make a difference. Your first day is as good a time as any.” ■

Doing right, right where you are

Get comfortable with being uncomfortable. Put yourself in situations where you will be forced to learn actively, sometimes the hard way.

Serve others. Wanting to help but not knowing how induces anxiety and paralysis. Just get out there and do something, whether through volunteering or mentoring.

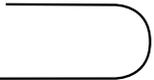
Bring your values to work. Everyone has the capacity to make a difference. By asking yourself some key questions, you will see where changes need to be made.

Bring your values to the business. Use your professional skills and abilities to prioritize social aims and measures as part of your core business, rippling out across your sector or industry.



Maria Iraburu

President, University of Navarra, of which IESE is its business school. Professor of biochemistry and molecular biology and most recently head of faculty before being named president, the first woman to hold the role in the university's history.



CREDIT: Aretha/Javier de Paz Garcia



AUDACITY LEARNING IMPACT

40 years since the first IESE building in Madrid, Maria Iraburu takes inspiration from IESE's new Madrid campus building to highlight the timeless qualities of leadership.



AUDACITY

Difficult execution yet beautiful results: professional projects and dreams share this twin characteristic. Sometimes we have to expand our horizons and take risks – but not recklessly. Even amid uncertainty, like that of the past two years, we must keep projects moving forward, identifying what to hold onto and what to let go, and daring to venture out in bold new directions. This quality is indispensable, especially in times of rapid change and transformation.

CREDIT: Neolabels



CREDIT: Neolabels

LEARNING

We must constantly keep developing ourselves and others, both inside and outside of the classroom. And although the pandemic may have changed some of the ways in which we learn, it has also revealed creative new ways that we can reinvent ourselves, transform our thinking and innovate our interactions. The keys remain: diverse groups coming together, sharing ideas, reflecting deeply, learning from mistakes, incorporating new discoveries and then taking decisive action.

IMPACT

We strive to make a deep, positive, lasting impact. Lasting, as in sustainable over the long term and respectful of the environment. Positive, so that the people and societies we touch are better off because of our actions. We strive to expand the frontiers of knowledge, contribute to the common good, advance the cause of justice and act in solidarity with others, both inside and outside of work. And as we transform ourselves, so we aspire to transform the world.

SOURCE: Based on the speech delivered by Maria Iraburu on February 3, 2022, at the inauguration of IESE's new Madrid campus, which was presided over by King Felipe VI.

SMART PICKS

Food for thought



Artistic license

The pandemic seriously impacted in-person cultural events – museum-, concert-, theater- and movie-going were decimated – but their consumption grew online. This accelerated a trend that had begun well before 2020. Digitalization and changing public tastes and habits have the cultural sector scrambling for fresh ideas and new audiences. The climate crisis has forced more artists to question their business models. And the crypto wave is transforming how people enjoy art. Check out the creative ways that the artistic experience is being innovated.

Art-ificial experiences

Non-fungible tokens (NFTs) are the digital equivalent of a physical collectible. Content creators sell their one-of-a-kind works to clients using unique tokens in which the proof of purchase is coded into the artwork itself. NFT marketplaces like Open Sea (<https://opensea.io>) are springing up all the time, and NFTs have become big business. Sometimes the pieces are collectively owned, as happened with Pak's The Merge where thousands merged their tokens to buy a unit of the digital artist's work for a whopping \$91.8 million through Nifty Gateway (www.niftygateway.com).

Crowdfunded experiences

When Sotheby's in New York auctioned an original copy of the U.S. Constitution, a DAO or decentralized autonomous organization made up of 17,000 people tried to buy it between them, also using tokens (www.constitutiondao.com). In the end, they were outbid and their tokens were refunded. But the experiment highlights an interesting trend of peer-to-peer online communities joining forces for a single purpose. It doesn't get more "We the people" than that!

Sustainable experiences

Because live concerts can be major polluters, the British band Coldplay announced a carbon-neutral tour in 2022 (<https://sustainability.coldplay.com>). Through a careful audit of their carbon footprint, they pledge to cut direct emissions by 50% over their 2016-17 tour and they're taking a creative approach to powering their production: A kinetic floor in and around the stadium will convert fan movements into energy to power the show.



Immersive experiences

Ever just wanted to climb inside a painting? Now you can: immersive exhibitions have become a lucrative new phenomenon. By combining virtual reality and wraparound projections, the public can walk in Van Gogh's sunflower fields (www.imagine-vangogh.com) or the Sistine Chapel (www.chapelsistine.com) where you can see Michelangelo's masterpiece up close and personal, without the Vatican crowds.



Enhancing experiences through analytics

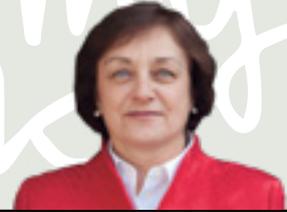
It's a classic problem: visitors pack in front of one famous artwork while another lesser-known painting nearby is ignored. How distances between paintings, time spent in the museum and visitor congestion affect which paintings get seen is something that operations professor Victor Martínez de Albeniz has analyzed, using visitors to the Van Gogh Museum in Amsterdam. His paper with Ali Aouad and Abhishek Deshmane reveals how to design layouts for sequential experiences with application to museums. Find out more at <https://blog.iese.edu/martinezdealbeniz/research/> and www.adeshmane.com/research.



FROM MY DESK

By **Beatriz Muñoz-Seca**

Professor of Production, Technology & Operations Management



The art of business, the business of art

In 2018, the Louvre had not only its best year on record, with 10.2 million visitors, but the best year on record for any museum anywhere. Two years later, visits crashed, as the pandemic wreaked chaos on the cultural sector, shuttering museums, theaters and concert venues. Perhaps even more significant was the profound impact on the public: the wish to avoid crowds runs deep. Why go out when you can stream a show in the safety of your own home?

Even before COVID-19 hit, the Louvre notwithstanding, visitor numbers to museums and other cultural venues were relatively small, and arts attendance was in decline. There was a large untapped market that the world of art and culture was failing to reach. The pandemic has only compounded an ongoing problem.

As people start going out again, the cultural sector must think long and hard about how it is going to reach audiences. Now is the time to reimagine business models and discover new demand. And in the 21st century, the focus must be more on offering a memorable experience rather than on the object or activity itself. For example, a trip to Paris's Orangerie museum, home to Monet's Water Lilies, might include a side trip to Monet's house in Giverny and a walk around his garden where he painted his signature work.

Here are some timeless principles, derived from my years of research on service design for cultural institutions:

- **Craft your concept.** Think in terms of creating emotional connections and stimulating all five senses.
- **Configure the variables and performance indicators.** Which variables are needed for your service concept? How will you collect the data? What performance indicators will you use to measure customer satisfaction with the experience?
- **Experiment with prototypes.** Try out various concepts and assess them using your previously chosen indicators. Adjust accordingly.
- **Build responsive service structures.** Experiences are living things and demands evolve. But if the underlying service structure is sound, then you can continue to make service improvements, solving problems on the go, and refining and perfecting the service in light of how people respond, without having to reinvent your offer every single time.
- **Redefine your essence and identify your "flame red."** Remember, a service is a prototype that is finished with your customer. You will need service people with the right skills and problem-solving abilities to build an exceptional customer experience, one that meets individual expectations and generates the "special spark" that keeps people coming back for more.

SOURCE: Beatriz Muñoz-Seca's latest book trilogy contains blueprints for solving operations problems, designing service strategies and delivering results: *How to make things happen* (2017), *How to get things right* (2019) and *Service Operational Canvas: the key to making money without compromising service excellence* (2021).



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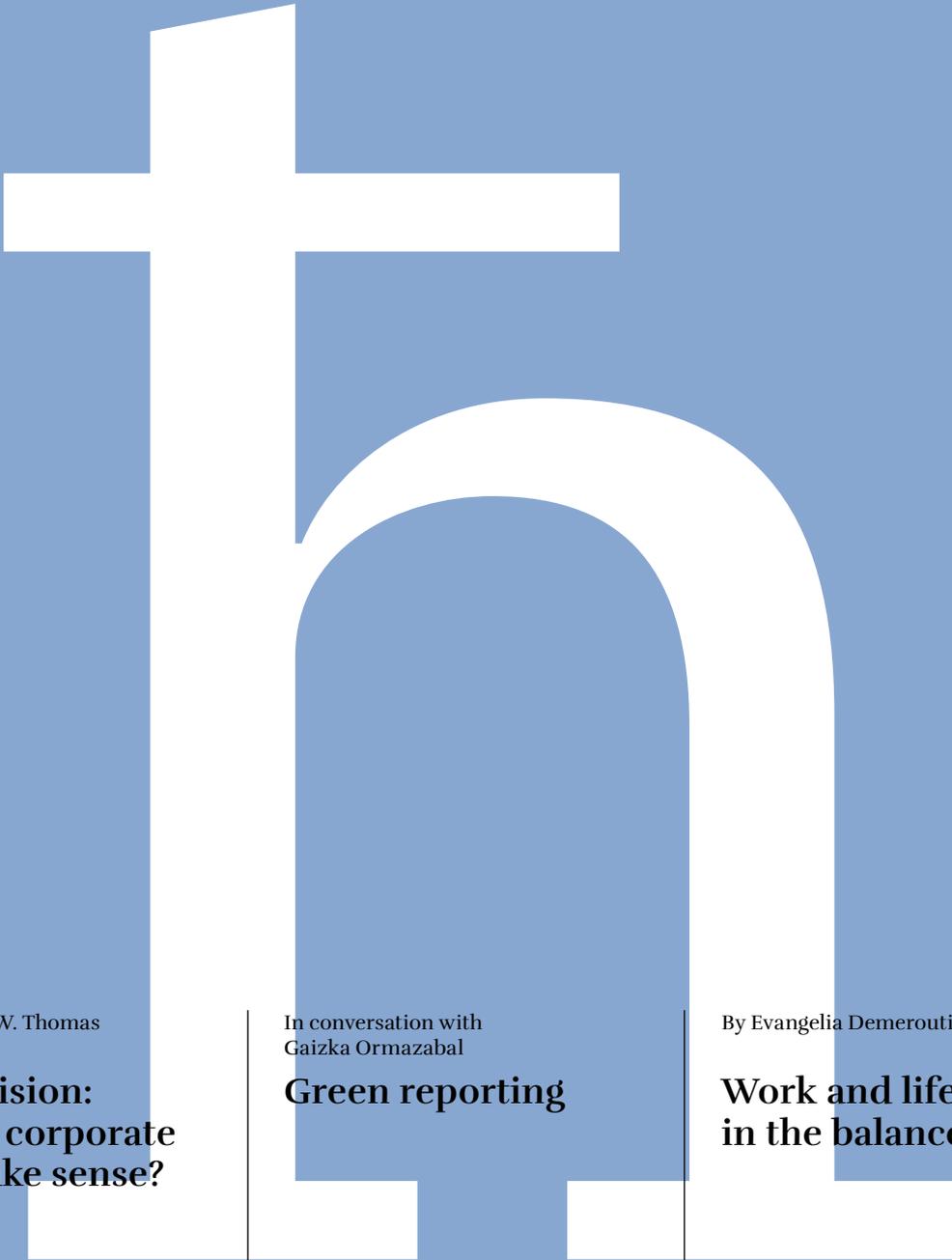
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By Llewellyn D.W. Thomas

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when do corporate
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Split decision

When do corporate splits make sense?





ILLUSTRATIONS: Redondo

At the end of 2021, conglomerates General Electric, Johnson & Johnson and Toshiba had all announced their intention to split into smaller entities. General Motors and Ford are exploring the option, too. Who might be next? And when is breaking up a good move?

By Llewellyn D.W. Thomas



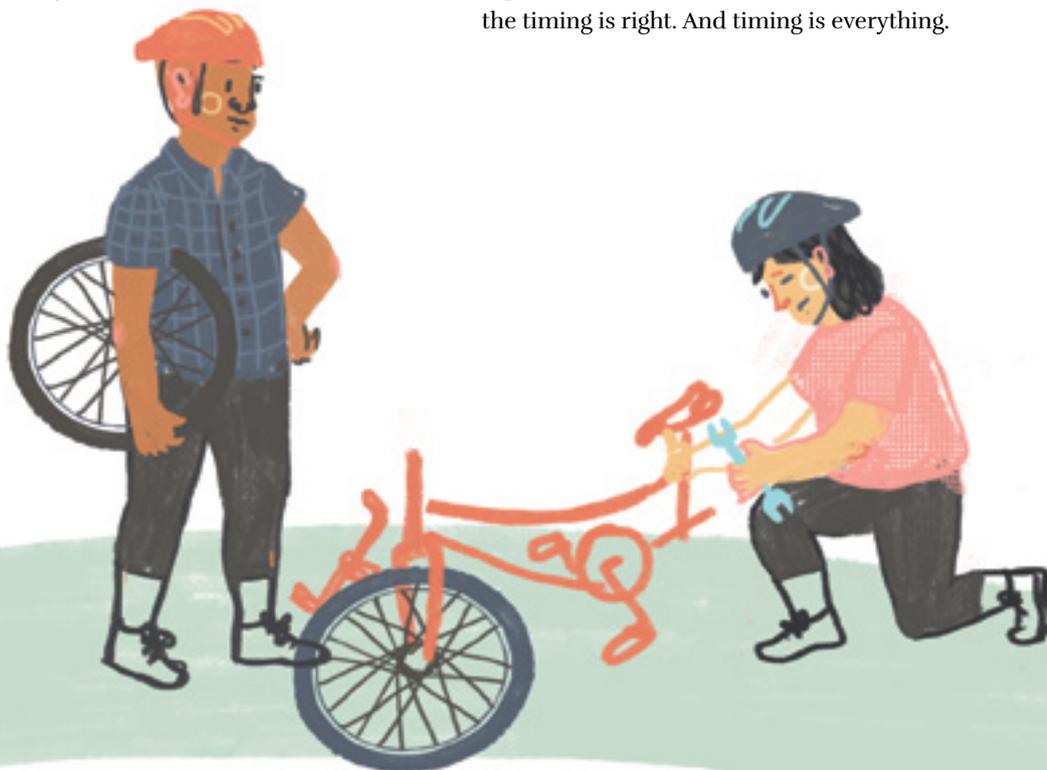
General Electric – the fabled American conglomerate cofounded by inventor Thomas Edison in the late 19th century – announced in November 2021 that it would split into three companies focusing on healthcare, energy and aviation. That same month, giants Toshiba and Johnson & Johnson also announced their intentions to divide.

The decision to split is a big one. And it's a particularly difficult one for CEOs to make because, by its very definition, it shrinks their purview. So, why do it? What pressures might make a corporate split worthwhile?

GE CEO Larry Culp explained his company's decision in a press release: "By creating three industry-leading, global public companies, each can benefit from greater focus, tailored capital allocation and strategic flexibility to drive long-term growth and value for customers, investors and employees." In sum: three companies to serve three different groups of stakeholders in three beneficial ways.

I believe our research can help managers understand when splitting might be the right thing to do

This resonates with my own research on the subject: Successful corporate splits improve management focus, resource allocation and corporate agility. Working with my coauthors Robert A. Burgelman of Stanford Business School and Yuliya Snihur of Toulouse Business School (IESE PhD '13), we studied successful splits to better understand the key forces that lead to the strategic decision to separate, and how stakeholders can benefit when the timing is right. And timing is everything.



We found an illuminating case study in the 2015 split of Hewlett-Packard (HP), which divided itself into two distinct companies: one continuing with the more traditional business selling personal computers and printers (hereafter HPQ) and the other focusing on the higher growth business selling integrated enterprise solutions via the cloud (hereafter HPE). Learning from HP and others, I believe our research can help managers, especially CEOs, understand when splitting might be the right thing to do.

The field research behind the development of our theoretical framework includes extensive interviews and archival research on corporate splits, homing in on HP. Our project included 71 interviews with HP senior executives (including 10 with various CEOs) and analyses of thousands of press releases, patents and other corporate documents focusing on the conditions leading to the split.

Our resulting paper, titled “Why multibusiness corporations split: CEO strategizing as the ecosystem evolves,” is forthcoming in the *Journal of Management*.

In this article, I present our research findings, which are relevant to senior executives presiding over larger or more complex companies in these turbulent times. Of course, the insights gleaned here do not provide deterministic answers to the big “to split or not to split” question, but I put forward that they may help in critical decision-making processes.

Understanding the forces at work

In studying HP up close, we observed that the emergence of mobile, cloud and social computing led to a bifurcation of its business ecosystem. The groups of customers, suppliers and partners in its consumer hardware business and its growing enterprise business diverged, creating a vicious cycle that increased complexity of the individual business models, while decreasing synergies between them at the same time.

Business model basics

In their 2021 book, *Business Model Innovation Strategy*, IESE’s Christoph Zott and Raphael Amit of the Wharton School define a business model as “a boundary-spanning system of interdependent activities that centers on a focal firm, yet may encompass activities performed by its partners, suppliers and customers in the pursuit of value creation and capture.” They ground this definition in four interdependent elements:

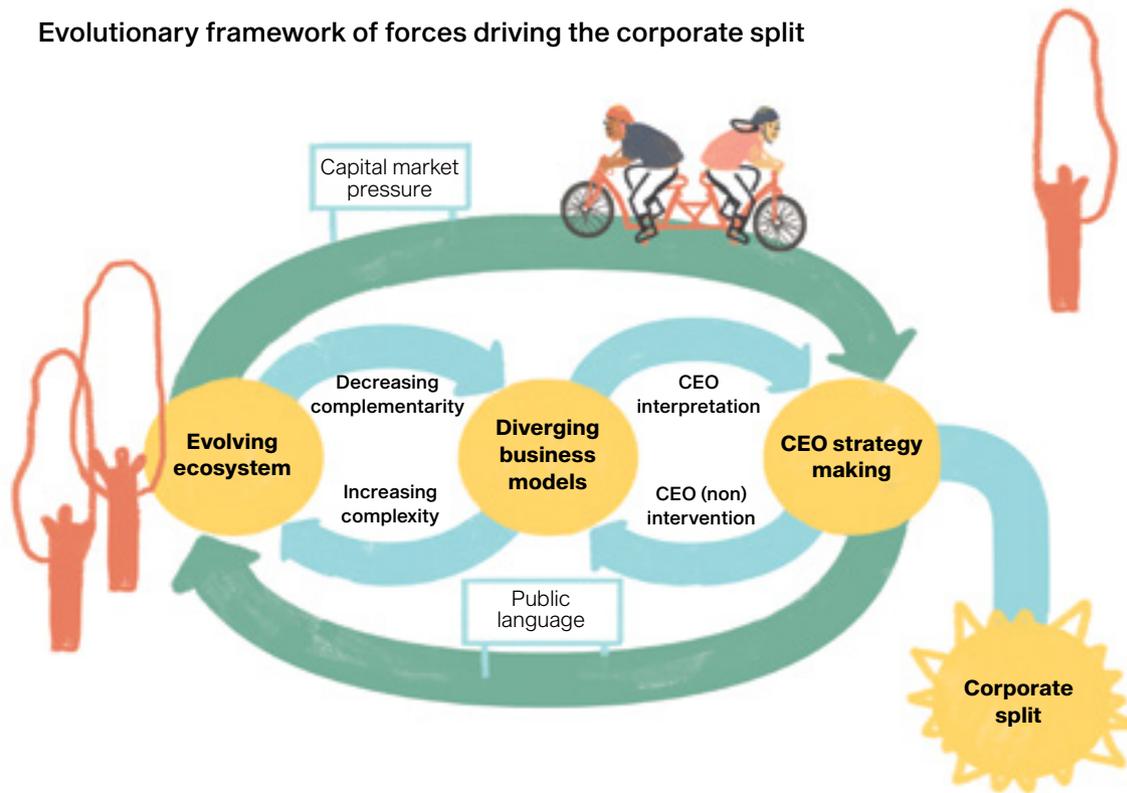
- **What (its content):** the activities that encompass the business model.
- **How (its structure):** how these activities are linked, both their sequencing and their exchange mechanisms.
- **Who (its governance):** who performs the activities, i.e., those performed by the firm versus those performed by partners, suppliers or customers.
- **Why (its value logic):** why the business model creates value and why it enhances value appropriation.

By their definition, employing new technologies to be more efficient or upgrading product or service offerings represents an *evolution* of the business model. However, when you start to fundamentally reconfigure the interactions between the elements and actors (e.g., customers and partners) in novel ways, then you get business model *innovation*.

In this article, I discuss how evolving business models shape the trajectories of companies’ business model portfolios, made up of two or more distinct business models as defined above.

READ MORE: “Build back better: How business model innovation can help your firm out of the crisis,”
IESE Business School Insight #156.

Evolutionary framework of forces driving the corporate split



On top of that internal pressure, there was increasing external pressure from the capital market to split. The end result, as we all know, was the decision to divide the company into two roughly equal parts.

A rendering of our findings (pictured) includes the main forces we observe operating in a dynamic context. I'll briefly describe each. However, it is important to note that we are focusing on companies operating more than one business model simultaneously – that is, we are looking at companies that have business model portfolios.

EVOLVING ECOSYSTEM (LEFT SIDE OF DIAGRAM). Broader technological trends – like the move to cloud computing and the emergence of social networks in the case of HP – are external forces that CEOs need to consider as part of their company's evolving ecosystem. As technology changes, so do consumer needs, ways of doing business and partnerships. In this context, the strategic landscape changes, too. It is this evolving strategic landscape that drives the decision to split the company.

For example, some of HPE's newer customers – including Amazon Web Services, Microsoft, Google, Facebook, Alibaba and Tencent – enjoyed strong in-house hardware and software expertise and were less willing to pay a premium for integrating standard components, as they could do it themselves. This contrasted with HPQ's more typical customers, who seemed happy to pay a premium for integrating standard components.

At the same time, the types of partners and working relationships also evolved with technological shifts. For instance, HPE's newer customers increasingly required complex solutions that involved different security, networking and service partners that specialized in integrating cloud technologies with their previously installed infrastructure. For HPQ, mobility and social networking trends required enhanced partnerships in those areas, working with the likes of Google Docs, Android, Apple's iPhone and Facebook.

DIVERGING BUSINESS MODELS (CENTER OF DIAGRAM). At the core of the framework are the business models of

the company. (See **Business model basics**.) When a company has a business model portfolio, it is generally seeking synergies between them, so that one business model can leverage the other. When synergies exist, they can lower operating costs while boosting revenues.

For example, within Apple's highly successful business model portfolio, its digital platforms provide valuable data to improve its hardware and other businesses. Meanwhile, at Amazon, loyalty programs, such as Amazon Prime, may lock in customers interested in its retail and entertainment offerings to the detriment of its competitors. Amazon Web Services for cloud computing offerings and its physical stores without cashiers add to the business model portfolio that has made Amazon another of the world's most highly valued companies. These two companies illustrate the point that, while managing a portfolio of business models tends to be complex, it pays off as long as synergies or complementarities are created along the way. But synergies can decrease over time. That is when the trouble begins.

In our study of HP, we saw its synergies decreasing as the dynamics of the evolving ecosystem fed into the divergence of its business models, with consumer and enterprise businesses that used to be complementary moving apart. More specifically, we looked at HPQ and HPE's distinct customers, partners and technology drivers from 2010 until after the split. Prior to the split in 2015, the number of common customers and partners between HPQ and HPE was decreasing. Furthermore, the number of partnerships increased by 70% for HPE compared with no change (~0%) for HPQ. And in terms of technological change rates, HPE's volume of patent applications increased by 28%, while the volume actually decreased for HPQ's PC business. That is to say, change rates were rapidly diverging.

As synergies decreased and the ecosystem evolved, tweaks had to be made to the business models, which increased their complexity. While increasing complexity meant that the company

was adjusting to its evolving ecosystem, it also meant that it drove further ecosystem bifurcation. A negative feedback loop was created. At the same time, the evolving ecosystem impacted the CEO's strategy – a force I'll now explore.

CEO STRATEGY MAKING (RIGHT SIDE OF DIAGRAM). Overseeing the company, the CEO strategically intervenes (or not) to correct for diverging business models. One tool CEOs have is **PUBLIC LANGUAGE (BOTTOM ARROW IN DIAGRAM)**, through which they seek to shape the wider narrative of the firm's role in the evolving ecosystem. Whether or not the CEO successfully intervenes or is able to shape ecosystem evolution in a way that helps correct the course for diverging business models, this force increases pressure and can distract the C-suite, leading to suboptimal resource allocation and reduced agility.

Before the split, Antonio Neri (who went on to become CEO of HPE post-split) described the competitive landscape in an interview: "The competitive landscape is changing dramatically. ... Federations of competitors have been formed, and each of these requires a completely different business strategy, a completely different innovation strategy, a completely different go-to market strategy."

And while HPQ's hardware competed with the likes of Lenovo, Dell, Apple, Toshiba and Samsung, HPE's enterprise offerings competed with other giants such as IBM, EMC, Cisco, Oracle, Microsoft, Google and Amazon. The CEO needed both to explain HP's role in this evolving ecosystem *and* try to shape its evolution to HP's benefit – not an easy task, with the business models becoming increasingly unrelated and complex.

CAPITAL MARKETS (TOP ARROW IN DIAGRAM). However, CEOs of publicly traded companies have much more than diverging business models to deal with: the capital markets can exert considerable pressures, as reflected in the behavior of boards of directors, shareholders and financial analysts. In fact, capital markets may be quicker to recognize the need for a significant change than leaders themselves.

Pointedly, there is the famous “conglomerate discount” where shares in a company may be worth less in trading than the sum of the valuations of its parts. We have seen that capital markets can apply extreme pressure to a company, requiring that it break apart to stay afloat, even if that may seem contradictory at first.

And indeed, for HP, our research showed there was a clear conglomerate discount in its market valuation, evidenced by the increasing negative excess value from diversification seen by analysts between 2011 and 2015 (the year of the split) as cloud computing was taking off.

The split

With the increasing external pressures from the capital markets and the increasing difficulty in managing the diverging business model portfolio, the result may be a split. However, because the decision to split has to come from the CEO, the buck stops there.



We expect to see more companies face intense pressures to divest some of their businesses

Leading up to HPQ and HPE's split, CEO Meg Whitman aptly interpreted these dynamics and their vicious cycles. Indeed, some CEOs are simply better than others at understanding the trajectory of their business model portfolio. In the case of Whitman, she was both an excellent strategist and an outsider with less emotional commitment to keeping HPQ and HPE together than some of her predecessors. We believe her decision and timing were right on.

In a 2014 press release, Whitman is quoted: “The decision to separate into two market-leading companies underscores our commitment to the turnaround plan. It will provide each new company with the independence, focus, financial resources and flexibility they need to adapt quickly to market and customer dynamics, while generating long-term value for shareholders.”

It is interesting to note the resonance of “focus” and “flexibility” – words also found in GE's press release seven years later, while “financial resources” was replaced with the similar “tailored capital allocation.”



The author



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More pressure to split

Looking back, now nearly seven years after the split, both HPE and HPQ are doing very well for their shareholders. The businesses are worth more apart than they were together.

Looking ahead, we expect to see more companies face intense pressures to divest some of their businesses. The consumerization of IT, the ease with which new businesses (and hence competitors) can be founded, platformization and cloud computing will be partly responsible. Ecosystems will evolve, resulting in increasingly differentiated business models for some companies.

The global drive to decarbonize the economy may be a considerable force, too. Recently, John Browne, the former CEO of BP who is now the chairman of General Atlantic's BeyondNetZero climate investment initiative, called for Big Oil companies to separate their fossil fuel businesses from their low- and zero-carbon activities. He gave his reasoning in the *Financial Times*: With a corporate split, "investors can allocate their capital more efficiently and the true value of low-

carbon businesses embedded within large hydro-carbon producers will become clearer." As a positive example, he cites Italy's Eni, which is going forward with plans first announced in 2020 to split off its renewables business.

With the increasing complexity and diversity of business models, we see CEOs having a harder time deciding how to allocate corporate resources to the different businesses and how best to drive corporate innovation and growth. It is vital that they clearly understand the trajectory of their business model portfolio and the focus and flexibility benefits of a corporate split. The analytical framework described in this article can help CEOs understand their business model portfolios and, if necessary, split from a position of strength. ■

READ MORE: "Why multibusiness corporations split: CEO strategizing as the ecosystem evolves," by Robert A. Burgelman, Yuliya Snihur and Llewellyn D.W. Thomas, is forthcoming in the *Journal of Management*.
<https://doi.org/10.1177/01492063211027623>



Green reporting

Transitioning to a greener economy and reaching sustainability goals start by measuring and reporting emissions as well as intangibles like climate risk. Getting the numbers to add up is complicated, but with good governance practices, progress can be made.



ILLUSTRATIONS: Victoria de Diego



In conversation with Gaizka Ormazabal

Professor of Accounting and Control

Net-zero emissions and sustainable development are lofty aims. How might they be tackled in Accounting and Control? In this interview, Gaizka Ormazabal, holder of the Grupo Santander Chair of Financial Institutions and Corporate Governance at IESE, sheds light on what's happening in his field, based on his research on sustainability reporting and other Environmental, Social and Governance (ESG) initiatives.

Ahead of last year's COP26 climate change summit in Glasgow, you joined with leading scholars in recommending "Mandatory corporate carbon disclosures and the path to net zero." Why?

To achieve net zero – that is, to cut global greenhouse gas (GHG) emissions to as close to zero as possible by 2050 – we need to measure emissions *now* and we need to report them. Measuring and reporting may seem mundane tasks, but they are extremely important for making progress. Here we are in 2022 and the overwhelming majority of listed companies still do not report their carbon emissions. Among privately held companies, rates are even lower.

As such, we proposed making the disclosure of carbon emissions mandatory around the world, focusing solely on *direct*

emissions – those that come directly from a company’s facilities (known as Scope 1 of the Greenhouse Gas Protocol). We exclude indirect emissions – those related to the company’s consumption of electricity (Scope 2) or to its supply chain (Scope 3). Frankly, we thought it would be too complicated to force companies to disclose their indirect emissions at this juncture. But mandatory Scope 1 disclosure would at least get companies to start reporting now.

That seems straightforward. Is there resistance?

Yes. We have to recognize that it is costly for a firm to begin to disclose any emissions. Managers have to learn to do it correctly, in terms of the specific accounting procedures, which are not trivial, and there is a technical component, as with financial reporting. Also, these carbon disclosures may have real consequences on the market, affecting companies’ valuations. And we realize some companies don’t want to disclose because their emissions are high – which is all the more reason to make them disclose, and ratchet up incentives to clean up their operations.

Do you think we’ll see mandatory carbon disclosures happen? When should executives be prepared for this?

With more pressure coming from academia and society at large, as well as from Wall Street investors, this is the direction we’re headed. It will happen sooner rather than later.

For managers, this is a big deal. Introducing any disclosure rule is, generally, a very big deal. There are always complaints and unintended consequences. To be implemented globally, a rule like this will take a fair amount of coordination. And with the latest geopolitical developments, decision makers have diverted their attention to other issues. The world is not very well coordinated right now, but I’m still hopeful.

Moving from E to the Social and Governance aspects of ESG, tell us about another paper of yours, cowritten with your IESE colleague Pietro Bonetti, on “Boosting international investment: the role of expert assessments of corporate governance.”

We studied an initiative in Southeast Asia to promote foreign investment and development in the region. Known as the Corporate Governance Initiative, it was launched in 2011 by the Asian Development Bank and the ASEAN Capital Markets Forum (ASEAN stands for Association of Southeast Asian Nations and its members are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam). Basically, it’s a list of top companies deemed by independent assessors as having the most effective corporate governance practices in place.

The governance scorecards and data that go into creating their “top-50 list” are not disclosed to the general public. We got involved with this project via an IESE contact – visiting professor Jesus (Jess) Estanislao, who is an economist, formerly in the Philippine government. Thanks to him putting us in contact with regulators and other relevant people in Southeast Asia, we ended up with special access to proprietary data, which we used for the study.



Sustainability, because it is very forward-looking, is hard to measure

We show that the list is a powerful tool for international investment. Companies on the list did better in trading, attracting more investors from around the world. And boosting investment is key for the region's development. It also encourages positive governance changes in companies that want to improve their ranking.

This would seem to underscore the importance of corporate governance.

Yes, the research has a strong, positive message. It also showed there was a demand for this sort of independent, expert assessment of corporate governance practices. The list served as a sort of certification for the companies that made the cut.

What else are you working on?

I have papers underway on the use of ESG metrics in compensation contracts; on the accounting of carbon allowances; on investor demand for corporate information regarding climate risk; and on a green premium, or greenium, in acquisition targets.

Which issues are keeping you and your peers in accounting up at night?

There is an active debate about whether accounting numbers are less informative now than they were in the past. On companies' balance sheets and income statements, accounting numbers may mean less because we have a new economy, one that is based more on human capital and intangibles, moving away from fixed assets and fixed investments.

This is an important debate because of our traditional accounting conservatism and questions around fair-value measurements. Following a principle of prudence or caution makes sense for many reasons but it has limitations: you cannot put something in your books if it is uncertain or not tangible enough; your auditor won't let you.

So, should we make accounting less conservative to adapt to our new economy? The tradeoff with that is, the numbers may be more relevant, but they may also be less reliable because they are based on estimations and assumptions about the future. In order to better account for intangible assets or uncertainty, we need another information system beyond the current accounting system.

Are we headed toward such a system?

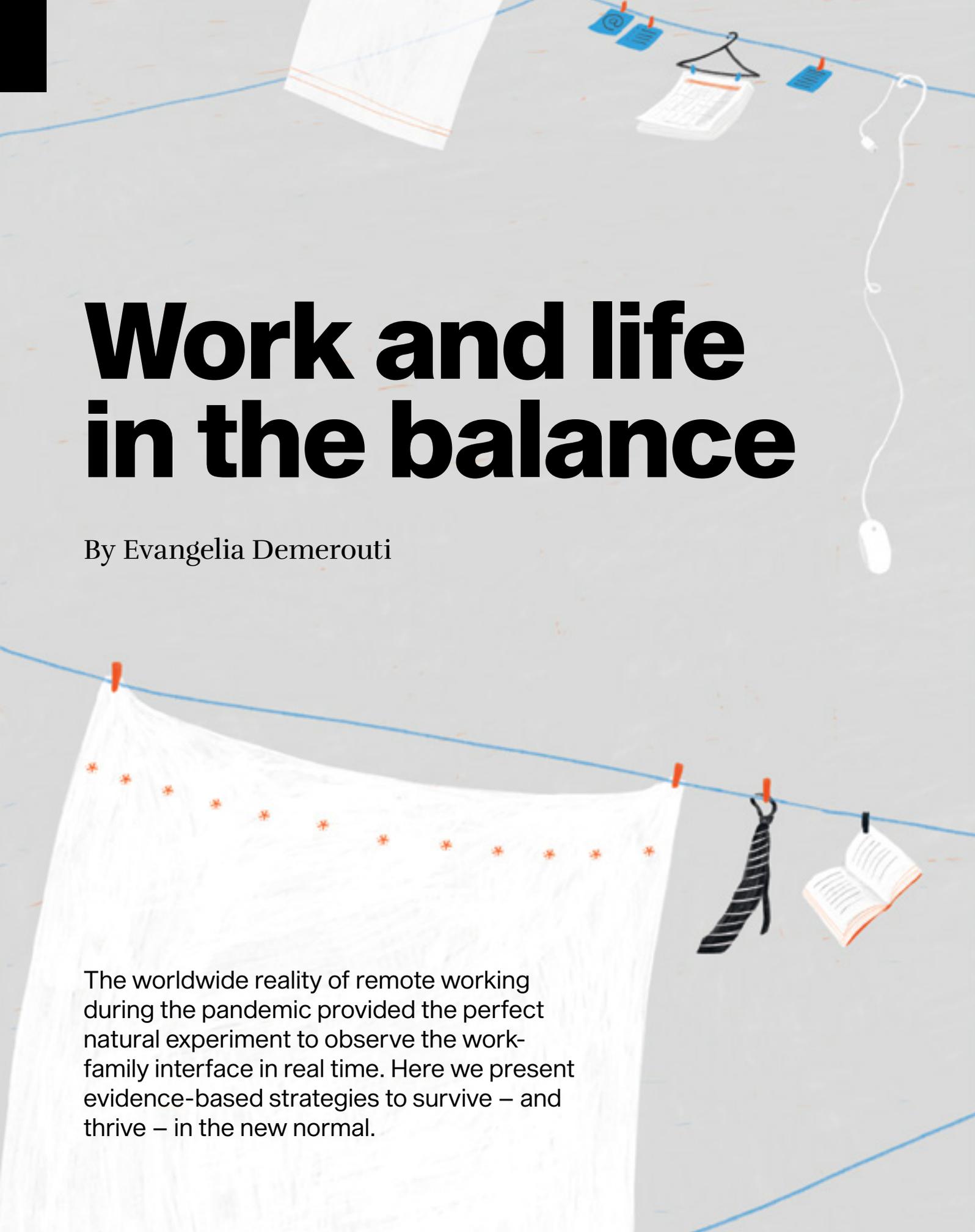
Sustainability and ESG initiatives are certainly moving us in that direction. Many say we should be looking at a much longer horizon than what we currently use for financial performance. Sustainability, because it is very forward-looking, is hard to measure. How can we talk concretely about "climate risk" when we don't know what might materialize 10 years down the road? Who knows when there is going to be some sort of climate disaster? And when you talk about the S, well, some aspects of it are even harder to measure than E. Looking ahead makes things very complicated and poses a lot of challenges. That is what accounting is dealing with right now.

On top of that, how should we regulate this? What should we make firms disclose? That is to say, which of the millions of things that potentially matter should be reported?

Given the breadth and multiple dimensions at work here, it's not surprising that standard-setters and regulators haven't come to any agreement yet. It's hard to predict how this is going to end up, so there is a lot of material to analyze now. ■

READ MORE: "Mandatory corporate carbon disclosures and the path to net zero" by P. Bolton (Columbia), M.T. Kacperczyk (Imperial College London), C. Leuz (Chicago Booth), G. Ormazabal (IESE), S.J. Reichelstein (Mannheim and Stanford) and D. Schoenmaker (Erasmus Rotterdam).
<https://mbrjournal.com/2022/01/31/mandatory-corporate-carbon-disclosures-and-the-path-to-net-zero/>

"Boosting international investment: the role of expert assessments of corporate governance"
by G. Ormazabal and P. Bonetti.
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3858572



Work and life in the balance

By Evangelia Demerouti

The worldwide reality of remote working during the pandemic provided the perfect natural experiment to observe the work-family interface in real time. Here we present evidence-based strategies to survive – and thrive – in the new normal.



ILLUSTRATIONS: Ester Centella

Navigating the porous edges of work, family and personal domains is a complex task in the best of times, but the outbreak of COVID-19 took things to a new level. Overnight, governments around the world adopted drastic measures to slow its spread, which had major consequences for the working population. Almost everyone had to work from home, social lives were put on hold, and parents had to help with their children's schooling. Suddenly, we were forced to conduct all our activities online and to figure out our own work schedules.

The challenges of remote working became instantly apparent: blurred boundaries between work and non-work domains; increased home demands, particularly for those with young children; lack of social interaction and diminished social support from colleagues and supervisors; greater job demands due to changed work procedures and more screen time.

Work-life balance is about regulating external and internal demands and resources

For some – primarily women – these challenges proved insurmountable. Many opted out of the labor force. In the United States alone, approximately 3.5 million women with school-age children left the workforce in the spring of 2020 after losing their jobs or deciding to take leaves of absence, according to the U.S. Census Bureau. Of those, 1.8 million have yet to return.

All this served as a wake-up call, as well as a natural testing ground for my years of research on job strategies, occupational wellbeing and work-life balance.

Starting in May 2020, I asked colleagues at the Eindhoven University of Technology (TU/e) to take part in an experiment. Subjects were randomized into control and intervention groups. Each week, those in the latter group were asked to perform an exercise and then to reflect on their experience. I wanted to measure their reported levels of fatigue severity, happiness, motivation and performance in relation to a goal they had set for themselves. Throughout the time of the experiment, I suggested different strategies or behavioral interventions they could try, in order to help them become more attuned to their emotions and feelings as they went about their daily tasks.

This article presents four strategies that were found to be effective in helping people cope with work-family demands during an extraordinary time. As we enter a third year of pandemic-disrupted lives, I commend these strategies to readers. Practicing them may help you to remain healthy, function more effectively, and regain a sense of balance during and after the pandemic.

Job demands and resources

At root, work-life balance is about regulating external and internal demands and resources. “Demands” are things that require effort and are associated with costs. An external demand would be the workload you're under, while an internal demand could be perfectionism. “Resources” are things that help you fulfill the demands with reduced costs. If your organization grants you a lot of autonomy to get your work done, that would be an external resource; an internal resource would be personal resilience.

Due to the pandemic, job and home demands have increased as resources at work and home have become scarcer. When there is an imbalance between demands and resources, such that the resources are insufficient for the number or extent of demands, the result is emotional exhaustion and even burn-out, coupled with a sense of reduced accomplishment and a loss of personal identity and agency.

Such adverse feelings and reactions can lead to contagion and trigger an adverse ripple effect. Just as professional demands can seep into our personal lives, so, too, can personal issues affect workplace performance.

In normal times, there were various things that organizations could do to regulate demands and resources. To combat fatigue for employees sitting in front of a computer all day, companies might design ergonomic workspaces; supervisors might check in more frequently and offer additional support, whether practical (reassigning workload, hiring extra staff) or moral (holding regular townhall meetings to give pep talks and receive feedback, organizing social get-togethers). These top-down, organization-wide approaches are important because they help improve the situation for all.

However, what we are facing today is different. The workplace has become atomized and socially distanced, with individuals finding themselves juggling their own unique set of professional and personal demands and resources on their own. As such, restoring the balance requires personal interventions specific to each individual. And as individuals know their own situations best, they may be better able to improve them – if they are equipped with the right strategies to do so.

Certainly, organizational interventions still have a role to play. But as remote work seems to be here to stay, empowering individuals with strategies

that fit their own personal circumstances seems at the very least a necessary complement to traditional organizational approaches. Let's look at four evidence-based strategies that emerged from our study.

1. Self-recognition

To reach future goals, you need to be able to recognize the situation and state you are currently in, so you can regulate the demands and resources accordingly. Specifically, this means being able to recognize your own physical, emotional and cognitive signals, so you can take remedial action before your stressors overwhelm you to the point of collapse.

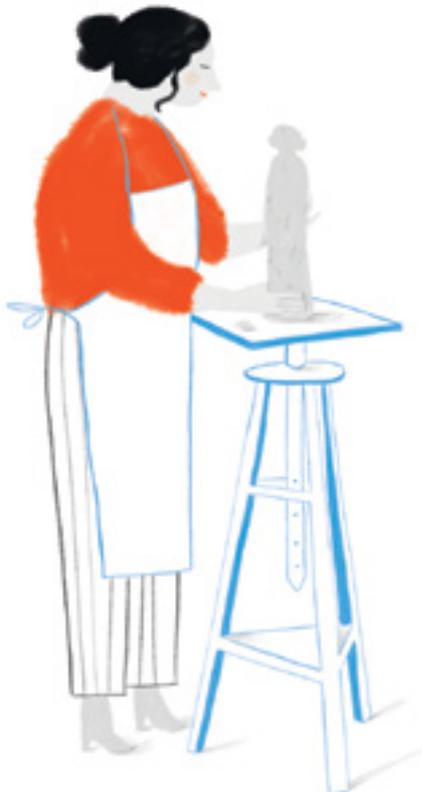
First, note any physical manifestations of stress. Hunched and aching shoulders, sweaty palms, difficulty concentrating, headaches and heart palpitations can all be telltale signs of stress.



One simple exercise is the mirror technique, used in psychology. Stand in front of a mirror large enough to see your face and upper body. Make eye contact with yourself. Focus not just on your physical appearance but on how you are feeling at that precise moment. Verbalize what you are seeing and feeling; sometimes saying it out loud to yourself makes it more real and more difficult to resist making changes.

Second, perhaps as part of the same exercise, identify a negative emotion that you felt recently and then reflect on its underlying source, again paying attention to any physical manifestations. Homing in on these aspects provides distance and promotes emotional regulation by keeping stressful situations from spiraling out of control.

Finally, ask someone who knows you well what they notice about you when you are under pressure. Those closest to us are often better equipped to see the physical, emotional, behavioral and cognitive manifestations of our stress. Keep a record of your findings and track them in a journal, for example.



Before you can craft your job more effectively, you first need to make an honest assessment of your current state

2. Job crafting

Having done a self-assessment, next you should try to redefine or reimagine your job in a way that is personally meaningful to you. This is known as “job crafting.” Employees become “job crafters” when they proactively decide to make small tweaks in their daily tasks and work context without asking anyone’s permission to do so.

Research on the topic by Berg, Dutton and Wrzesniewski offered this personal account of a marketing coordinator: “I take on as much event planning as I can, even though it wasn’t originally part of my job. I do it because I enjoy it, and I’m good at it. I have become the go-to person for event planning, and I like my job much more because of it.”

Another firsthand account came from a maintenance technician who was adept at using the company’s new higher-speed equipment, as well as teaching new hires how it worked. By “job crafting” his position, he was able to leverage his training experience from his previous job, while enjoying one-on-one interactions with others. “I like it because I’m able to help and work with guys from different backgrounds.”

Other day-to-day examples might include:

- deciding for yourself which tasks you will execute on a given day and how you will go about them.
- voluntarily taking on other responsibilities, assuming new tasks or starting a new project that excites and energizes you.
- setting aside the right time and place for you to focus on complex tasks and blocking out quiet times for yourself.
- reducing demands by eliminating certain aspects of your job and finding ways to carry out administrative tasks more efficiently.
- setting time limits on videoconferences and online calls.

As with self-recognition, before you can craft your job more effectively to restore balance, you first need to make an honest assessment of your current state. Is there too much work on your plate or are your job demands manageable? Do you have sufficient resources: a mentor you can turn to, flexibility to structure your day, the IT tools you need?

This reflection should reveal what you may be missing and what more you may need in order to craft your job in ways that challenge you without burning you out. What responsibilities could you take on to make your job more motivating? By the same token, what demands could you eliminate or decrease to gain time and energy?

Finally, effective job crafting requires setting SMART (specific, measurable, achievable, realistic and timely) goals. Based on my research, small steps are more doable and sustainable than major job-design overhauls. These could take several forms: optimizing job demands (e.g., rescheduling a meeting, deleting something on your to-do list); seeking a job resource (e.g., flextime); assuming a new challenge that you find personally motivating.



With a 2021 Gallup poll reporting that only 20% of employees around the world felt engaged at work, job crafting may be one way to boost meaning and a sense of satisfaction.

3. Setting boundaries

Working from home has blurred the boundaries between work and non-work, making it difficult to clearly define our professional and personal domains. Think back to the early days of the pandemic: Did you set a concrete time to log off or did the days seem endless and merge into one?

This lack of boundaries can increase work-family conflict, when satisfying the expectations of one role (work) becomes incompatible with fulfilling those of the other (home).

Fortunately, you can take steps to reset the balance, with mutual benefits for both areas. A good day at work can, for example, make you more

enthusiastic about cooking your favorite dinner and enjoying a relaxing evening at home. And vice versa: a relaxing evening at home along with a good night's sleep can help you face the next day with greater energy and enthusiasm.

Again, it's important to reflect on how these spheres positively and negatively affect each other for you, and then devise strategies to increase the former and reduce the latter.

At the height of the lockdowns in 2020, keeping negative work impacts from unduly influencing private lives became mission critical. Many adopted "transition rituals," such as powering down laptops, changing clothes or taking a walk to clearly mark the end of the workday. Such rituals set clear markers between domains.

Restoring the balance

To reach your goals, learn to regulate the demands and resources in your life.

- Recognize your own physical, emotional and cognitive signals and take remedial action before you collapse.
- Proactively adjust your work tasks and conditions so they fit your preferences and give you meaning (job crafting).
- Manage demands by enhancing the positive transfer of resources between work and home domains, and by reducing the negative spillover of demands between work and home domains.
- Build in daily recovery activities that return your functioning to pre-stressor levels.

Last but not least, make sure you carve out time not just for family activities but for yourself. Prioritize the oft-repeated "me time" beyond your work and family obligations. Returning to the self-reflection activity, specify one positive thing that you take with you from work to your private life, and vice versa, and then discuss it with someone close to you – a friend or family member. Verbalizing it and getting outside perspectives can help you be more conscious about managing the boundaries between your work and private life.

4. Take time for recovery

Recovery is a process through which individuals restore their energy. Recovery takes place both during and outside of our professional realm, helping us recharge by doing something relaxing, sleeping or simply thinking about something other than work. In this sense, recovery can take place daily (10-minute breaks every 90 minutes), weekly (tech-free weekends) and yearly, when we head out on vacation.

To be truly effective, it's crucial that stressors are no longer active (we're not answering emails while watching Netflix, for example) and that you regulate and control your levels of activity. Think of physical, mental and social activities that revitalize you, and formulate specific goals around them (take a walk after work, play a game with your family). Planning breaks in your agenda is a smart strategy.

And what about the subjects in our study? Participants in the intervention group reported improved self-recognition (noticing physical stress symptoms, self-focused emotional intelligence), job crafting (seeking resources and challenges), recovery (psychological detachment and relaxation) and reduced work-family conflict. Moreover, the intervention group reported reduced fatigue and increased happiness with life, as well as better job performance after the intervention. The

control group showed no improvements – quite the opposite, in fact: their happiness and job performance declined.

Sustaining a sense of balance

The pandemic has taught us many life lessons, including just how much is out of our control. Eventually, COVID-19 will come to an end, and we will enter a new, post-pandemic reality. What will we bring with us and what will we leave behind?

Based on my research, the possibility of restoring and sustaining balance in all of our life domains – work, family and personal – is within everyone’s reach, so long as we learn how to recognize and regulate our internal and external demands and resources. ■

The author



Evangelia Demerouti is a full professor at Eindhoven University of Technology (TU/e), where she is part of the Human Performance Management research group in the Department of Industrial Engineering & Innovation Sciences. Her research focuses on the processes enabling performance, including the effects of work characteristics, individual job strategies (including job crafting and decision-making), occupational wellbeing and work-life balance.



MORE INFO: Evangelia Demerouti spoke on “Work-family integration or segmentation? Lessons learned from the COVID-19 experiment” during the joint conferences of the International Center for Work and Family (www.iese.edu/icwf) and IESE Women in Leadership (www.iese.edu/women-in-leadership/iwil/) held in July 2021 on the theme of female leadership and sustainability.

FULL STOP



Triple Motivation

What drives you to work hard every day: Money? Personal fulfillment? Or the chance to make the world a better place? For IESE's late dean Juan Antonio Perez Lopez, the authentic answer is all three.

By Gabriel Ginebra

Juan Antonio Perez Lopez, dean of IESE from 1978 to 1984, died over 25 years ago but his ideas live on. In the 1980s, Perez Lopez highlighted the value of purpose – increasingly recognized as a factor that sets successful companies apart – to motivate employees. He called it transcendent motivation, and it complements economic factors (extrinsic motivation) and self-realization (intrinsic motivation) in creating wellbeing in the workforce.

Perez Lopez's motivational trio is sometimes viewed like Neapolitan ice cream: each motivation delineated in three neat layers. However, a better metaphor would be an ice cream swirl: all three inseparably mixed together. And where any one of the three is missing, people are likely to be less satisfied and less motivated in their work.

Let's look at how leaders in very different fields express these three motivations.

The value of money

There's an old joke that goes, "It's a bad job if you have to pay someone to do it." But the truth is, money is essential. Cristobal Colon, the founder of La Fageda in Catalonia, Spain, is adamant on this point. La Fageda employs people with intellectual disabilities to produce premium yogurts. Just because it is a social enterprise does

not mean it doesn't recognize the importance of honest, paid work.

"The people we employ had been disregarded as stupid or crazy; their self-esteem was at rock-bottom," Colon says. "They had to learn how to believe in themselves. And there was only one way: through real, paid work where they felt productive and were rewarded for their efforts."

Colon founded the food cooperative La Fageda, whose products compete on the same level as the world's leading brands, including Nestlé and Danone.

Earning a salary is motivational in a way that being the object of charity is not. But is there such a thing as being paid too much?

Marta Tejedor, Spain's first female soccer coach, believes there is. A former professional soccer player herself, she has coached the women's national teams of Chile and Peru and most recently managed Birmingham City of the Football Association Women's Super League. Soccer players are among the world's highest paid, yet, in her experience, they work less than gymnasts, swimmers or other professional athletes who train longer and harder, and almost always for less money. Those who earn the most are not necessarily the most motivated, she finds.

Fulfillment and ambition

This brings us to the second important element of motivation: a sense of personal progress, represented by growth in knowledge or ability. A task may start as a challenge but over time the employee develops mastery over the task. If there is no further challenge, boredom sets in.

In Tejedor's opinion, male soccer players from the big clubs are the first to demand less of themselves. They are paid obscene amounts of money and comparatively little is demanded of them in the larger context of the world of sport.

"We treat them like gods, so it's no wonder they're spoiled and complacent," Tejedor says. She finds female soccer players who are paid less than their male counterparts to be more motivated and more likely to make sacrifices to improve.

Workplaces that are reasonably demanding of their employees provide opportunities to learn and grow, and they also report higher levels of satisfaction than those who don't develop their workers. This is the key to intrinsic motivation: the idea that work and learning are rewards in themselves. Intrinsic motivation may come from liking the content of the work, from the human environment, from a feeling of importance, or from any other factor that makes the work itself interesting.

Employees are intrinsically motivated when they are challenged but not left to flounder. Tejedor rues that soccer players don't have enough of this pressure. "They could be better," she says. "While we don't want them injured, they could definitely spend many more hours ironing out mistakes

Too much or never enough?

From unpaid interns to millionaire athletes and everyone in between, money is always an issue. Although there isn't a causal relationship between salary and motivation, here are some things to keep in mind when setting salaries.

Too little money produces dissatisfaction.

However, after a certain comfort level is reached, more money produces neither greater wellbeing nor greater motivation.

The motivational capacity of money marginally declines. The more you have, the less you will be motivated by an offer of more.

It isn't quantity that motivates as much as movement. Two raises of 2% cause greater satisfaction than one raise of 4%, and a salary that goes up slightly every year is more satisfactory than a high salary maintained over many years.

Although raises can motivate employees, they only do so for a certain time.

Everyone gets used to the money. In companies and sectors with higher salaries, salary-based motivation is no higher.

Salary losses and gains have different emotional effects. A reduction, however small, causes more fear and anger than a raise causes joy.

Most employees believe they are underpaid, and few believe they are well paid. We tend to compare ourselves with those earning more.

More money cannot compensate for missing intrinsic and transcendent motivation.

Conversely, people with emotionally rewarding jobs will sometimes tolerate lower salaries.

with videos and sports psychologists.” She finds it unacceptable that many big names can’t control their tempers and end up with red cards, to the detriment of their teams.

Spanish professional basketball coach Aito Garcia Reneses, better known as just Aito, is also in favor of “demanding a little more of the team than it can give.” He is the coach behind a dozen league titles and other triumphs, and he guided the Spanish national team to Silver at the 2008 Summer Olympics in Beijing.

Aito believes there’s a disconnect between what employees know and what is required of them. Think of an employee’s comfort zone as a circle, and then position what is required (which is subjective and defined by employees and their managers) just outside that circle, at the outer edges, in the learning zone.

When our jobs require *less* of us than our abilities, that subjective circle tends to contract. And when people don’t increase their competence over time, they tend to feel both pressured and dissatisfied. Conversely, when managers demand more from employees than what they are currently doing, the circle widens.

Aito uses NBA player Pau Gasol as an example to young players of the importance of improving, highlighting that Gasol would train every day at 7 a.m. and then head to medical school as he was planning to be a doctor before his basketball career took off. “It’s important to work technically, physically – and also to improve intellectually, though many players don’t value this.”

He also has advice for coaches. Many tall players are only taught to play close to the net, but a teenage Gasol learned to play anywhere on the court. Every improvement, even if not directly relevant to Gasol’s position, made him an overall better player.



Focusing on constant improvement is essential because not every day is a win. The important thing is “to achieve a goal every day and to improve every day. And if you can win, great.” But what’s really key is for the team to believe in what they’re doing. “That’s what brings out their enthusiasm and dedication.”

The meaning of work

While being paid and being challenged are both necessary, neither is enough to bring true pride and satisfaction. The missing piece, as Perez Lopez always maintained, is transcendent motivation.

This is the elusive idea of making a difference: the impulse to perform a task for the good it will provide to others. How does your work benefit others, either individuals or society as a whole?

A better metaphor would be an ice cream swirl: all three inseparably mixed together

Transcendent motivation can exist in all sectors. A teacher or a writer seeks to be useful to others by sharing knowledge or inspiration. A doctor aims to save or improve lives.

For Tejedor, it was a father who told her how grateful he was that his daughter now had female soccer players as role models. “Inspiring people is much more important than winning trophies,” she says.

Gabriel Ginebra (IESE PhD and MBA '88) worked alongside Juan Antonio Perez Lopez for over six years. He is the author of numerous books, writing on salaries, Slow Management and *Managing Incompetence: An Innovative Approach for Dealing with People*. See <https://managingincompetence.com> for more information.

The quoted material from Cristobal Colon, Marta Tejedor and Aito Garcia Reneses was taken from interviews conducted by Lluís Amiguet for *La Vanguardia* newspaper and other publicly available sources.

READ MORE: Go to www.iesepublishing.com where you can find several case studies on La Fageda written by IESE professors Jose Antonio Segarra, Alberto Ribera and Yih-Teen Lee.

“For work to give meaning, it needs to *have* meaning,” says Colon, “and our workers’ lives have more meaning now. We’re going head-to-head with Nestlé and Danone, and I tell them we’re not pursuing growth for growth’s sake; we’re here to serve people or go home.”

Sweet success

Clearly, not one of the three motivational strategies is enough on its own. La Fageda can’t just rely on the feel-good factor; it also needs to motivate people with pay. Likewise, major sports teams can’t just win results by paying ever bigger salaries; they need to offer players bigger motivations and bigger personal challenges.

These three motivations aren’t rivals. They go together. If one is lacking, motivation is depleted. Collectively they contribute to a sense of meaning and worth. And when we find that transcendent purpose, the money and fulfillment we find on an individual level make it all the sweeter. ■



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