McKinsey & Company

Author Talks: The collection

A series of interviews with authors of books on business and beyond.

Author Talks: The collection

A series of interviews with authors of books on business and beyond.

Introduction

Welcome to *Author Talks*, McKinsey Global Publishing's series of interviews with authors of books on business and beyond.

This collection highlights 27 of our most insightful conversations on topics that have resonated with our audience over this challenging pandemic period, including CEO-level issues, work–life balance, organizational culture shifts, personal development, and more. We hope you find them as inspirational and enlightening as we have.

You can explore more *Author Talks* interviews as they become available at McKinsey.com/author-talks. And check out the latest on McKinsey.com/books for this month's best-selling business books, prepared exclusively for McKinsey Publishing by NPD Group, plus a collection of books by McKinsey authors on the management issues that matter, from leadership and talent to digital transformation and corporate finance.

McKinsey Global Publishing

Contents

David Fubini on hidden truths for CEOs

In his new book, David Fubini provides a behind-the-scenes look at what it takes to be a superior leader.

McKinsey Global Publishing Director Raju Narisetti chatted with David Fubini, former senior partner at McKinsey & Company, in anticipation of the release of his new book, *Hidden Truths: What Leaders Need to Hear But Are Rarely Told* (Wiley, December 2020). In the book, the accomplished Harvard Business School faculty member offers exclusive insights about C-suite jobs that provide aspiring leaders with practical, new skills that will equip them for the immense challenges they may confront.

What problem were you trying to solve with this book?

The book originates largely from three sort of major motivations. The first was I was teaching lots of executives and, at the end of the sessions, many of them would come to me and say, "I learned so much from case examples and the Socratic conversations. Is there something written that would help us memorialize the things that we're learning?" And I was unable to find any really good books. I thought, maybe there's an opportunity here.

The second is I went and I looked at leadership books, and there are many, many written by CEOs. But those tend to be biographical and lofty in terms of the major learnings that they're trying to convey. And I was thinking, I really want something day to day—what it really feels like to be a leader. And then, finally, Harvard came to me and said, "It would be great if you could write something, because this is a topic we really think CEOs—and other leaders—would find valuable."

What surprised you most about writing this book—in the research, writing, or response?

What was most surprising to me was how surprising CEOs found the things that I was conveying back to them as a potential table of contents and ideas—about what they experience, day in and day out, about these various elements of what it really means to be a new CEO, and about how much they thought it would be helpful for this to be conveyed to others.

And I found it unusual that there wasn't really an understanding of the basic realities of what the day-to-day was of CEOs. The second was when I would go to CEOs and say, "Here's what I take away from our conversation. I think this is important." They would say, "It's *incredibly* important. By the way, that never happened to me because I was a better leader than that." But other leaders need to hear that. And of course, I know from my own consulting experience, in many cases, they had experienced that which I was describing to them.

Do your due diligence

How can new leaders balance the need to react quickly with the need to get it right?

There's a huge challenge now because there is an expectation that CEOs will arrive, as I said in the book, prepared, and that that's because there is such limited time and patience among boards, analysts, and other constituencies that they're having to deal with.

And I think this really calls on them to actually do an enormous amount of homework that many CEOs, as they came into their roles, often have not done. This is something that's really new learning for CEOs. Indeed, one of the CEOs I interviewed who had been remarkably successful at his transition—and I asked what the underpinnings of it was—would talk about how he very consciously viewed this as a due-diligence exercise akin to buying a large company.

He had to actually secure a lot of information from a wide variety of sources. He actively sought to get consultative help, even in advance of getting into the company, because he wanted to arrive with a strategic plan. He'd gone to investment bankers who were friendly to him to ask, "How would this be greeted by Wall Street?"

'In order to be a good CEO, you have to be a good strategist. You have to make disciplined trade-offs, and you have to know both the positive and the negative to make those trade-offs.'

This is the type of due diligence that is unusual for others—when they were just interviewing—to have done. Now, it's become a standard. Because if they don't do that, they won't be able to arrive with an actual plan. Now that plan obviously, like all plans, has to get modified by the reactions that it engenders. But the point is, you have to have a plan.

What can boards do to ease the transition of incoming leaders and set them up for success?
I think there's a lot boards could do to really help CEOs and other leaders transition. The first is, they have to be very crisp about what it is that they're seeking in their leader. That job description, which often feels like boilerplate, really is much more meaningful than that.

It has to be: "Here's the type of leader we are seeking." So when they go and seek that person, they are all in common agreement so that the second thing can be achieved, which is a consensus around the board. Very often, you find the problems with transitions happen when the board, themselves, are not aligned around what they want from the CEO they've just hired. You really have to have boards aligned around what they're seeking.

And then, finally, expectation management. What they want to have happen and when they want it to happen has to be agreed upon as well. Because if new CEOs come in and they have a different expectation around timing and expectations (as they often do) from the board, conflict immediately

emerges. So those are the things that boards really have to do a better job at, even before they hire a CEO.

Arrive with a plan

What are some of the things new CEOs find surprising after they begin their tenure?
I would spotlight three things as the biggest surprises and blind spots for CEOs. One is the importance of arriving with a plan and with a team. I think a lot of CEOs think that they can just arrive and they'll have a grace period, which, often they find, even if they did have a plan and a team, they'd be overwhelmed by the sheer volume of constituencies and challenges that they have to actually deal with. And they never had time to really go back and get a plan for what they wanted to do.

The second is the belief that they get told the entire truth by their management teams. In order to be a good CEO, you have to be a good strategist. You have to make disciplined trade-offs, and you have to know both the positive and the negative to make those trade-offs.

It's surprising how often CEOs are not told the entire negative truth of things, because there is such a desire of their management teams to tell them only the good. So, many CEOs get surprised by the fact that they don't hear the negative.

And finally, I think it's also a big surprise to lots of CEOs how lonely the job can be. I know that sounds counterintuitive but, really, suddenly CEOs are cut off from a lot of their fundamental mentorship and groups of people that they used to deal with when they weren't in the most top job in the company. Once you're in the top job, you really don't have access to some of those people and staffs that you used to. And it really does get lonely pretty quickly.

What were some of the challenges—and advantages—of having an outsider's perspective on the CEO experience?
The challenges were reduced by the fact that there are just lots of observational points after one has a 34- or 35-year career in McKinsey. You have lots of observations. That gives you, immediately, a hypothesis for what you should actually think about writing in the context of hidden truths for CEOs.

The second is that you have an opportunity to talk to lots of CEOs. And this is a thing that CEOs love to talk about, because it's the reality of their jobs. In my interviews with them, I would ask, "Tell me what you wish you knew before you took the job that you didn't know."

They would go on and on about all the things they wish they had known. It was a wonderful way for them to contribute back through me to others that will follow in their footsteps.

The challenge is, "Hey, I've never been a CEO, and I'm writing about what it means to be a CEO." I reached out to a great friend, Larry Culp, who is a very prominent CEO—both in his previous life and now—to write the foreword, for him to say, "There is some usefulness here, because I, as a CEO, see that value."

You come from a family of eminent thinkers. Tell us about that and what meaning this book holds for you in that context.
Let me be very clear. My grandfather was a world-class mathematician. My father was a world-class engineer and the former chief scientist at IBM. I am not of that caliber. I am not somebody who has that intellect.

What I have is the experience of having worked alongside of and as a counselor to many leaders. This book was my way of contributing back, in some ways, in the same vein that my much more intrinsically gifted father and grandfather did in their own ways. This is at least my attempt to contribute something back, much like they did, either through formulas or through technology.

David Fubini is a senior lecturer in the Organizational Behavior Unit and co-leader of the Leading Professional Services Firm and Mergers & Acquisitions programs for Harvard Business School's Executive Education. **Raju Narisetti** is the director of McKinsey Global Publishing, based in McKinsey's New York office.

Hubert Joly on unleashing human magic

The former chairman and CEO of Best Buy describes the leadership principles required to thrive in capitalism's next era.

In anticipation of the release of his new book, McKinsey Global Publishing's Tom Fleming talked with Hubert Joly, former chairman and CEO of Best Buy and currently a senior lecturer of business administration at Harvard Business School. In the book, *The Heart of Business: Leadership Principles for the Next Era of Capitalism* (Harvard Business Review Press, May 2021), Joly (an alumnus of McKinsey's Paris and New York offices) highlights the leadership principles that fueled Best Buy's resurgence and describes his own quest to become a more authentic, vulnerable, and human leader. An edited version of the conversation follows.

What problem were you trying to solve with this book?
The world is clearly facing a multifaceted crisis, whether it's the health crisis, economic crisis, social-justice crisis, the environment, and so forth.

And what's the definition of madness? Doing the same thing and hoping for a different outcome. For 40 years, we've been following a model that was based on two sources of inspiration: [conservative economist] Milton Friedman's "primacy of shareholders" and Bob McNamara's[1] [principle of] "use your brain to get the right answer, and then tell people what to do."

Clearly, this has gotten us into trouble. And so I felt—before the COVID-19 crisis, of course, but even more so now—that we need an urgent refoundation of business and capitalism around purpose and humanity. To find new ways for all of us to lead so that we can create a better future, a more sustainable future.

What surprised you most about writing the book—whether in the research or response?
The greatest surprise or delight is just how widely held this view is—that leading with purpose and humanity is the way to go. And yet at the same time

how hard this is, and how all of us are on a journey to become better.

My main driver in writing this book was not to tell the world that "I've got it; I've figured it out." I did feel, though, that much of what I learned when I was at business school or in my early years as an executive is either wrong, dated, or incomplete.

And so I wanted to provide a guide to leaders at all levels who are eager to abandon old ways and are keen to lead from a place of purpose, and with humanity.

What do you say to leaders who think that concepts like purpose—and leading with humanity—are "squishy"?
The image of profits and the image of the leader as a superhero able to save the day, and the leader driven by power, fame, glory, or money—that's still a very strong image. I see it in some of my peers. I'm teaching at Harvard now, and I see it at business school. But the approach has limitations.

Take incentives. There's research that shows that financial incentives deteriorate performance. If I ask, "When you get up in the morning, do you think about your day as, 'How am I going to optimize my year-end bonus today?'" Of course not. Motivation is primarily intrinsic: "How does what I'm doing connect with my search for meaning?" And if companies can connect the individual search for meaning with the purpose of the company, then magic happens.

Don't get me wrong. Shareholders are really important; I care deeply about shareholders. They're going to take care of our retirements, so you want to make sure that they do well [laughs].

But people are the source, they're the engine of any organization. We also know that we have to take care of our employees, our customers, our business partners, and the community. Best Buy is

---

[1] Robert McNamara was the US secretary of defense from 1961 to 1968 and is best known for his role in the US involvement in the Vietnam War. For more, see Tim Weiner, "Robert S. McNamara, architect of a futile war, dies at 93," *New York Times,* July 6, 2009, nytimes.com.

headquartered in Minneapolis. When the city is on fire, you cannot run a business. If the planet is on fire, you cannot run a business.

In the book, you call for a new way to manage and lead—an approach you call "unleashing human magic." What do you mean by that?
As we think through how we move forward with business and capitalism, it requires us to rethink things. One is to rethink our view of work. Work is sometimes seen as a curse, as something we do so that we can do something else that's more fun.

I have a different view. I love the Lebanese poet Kahlil Gibran, who said, "Work is love made visible." Work can be part of our calling, part of our search for meaning, why we exist. And I think in the heart of every individual, there's a desire to do good things in the world.

The second thing is how we think about companies. Do we see them as money-producing machines? Or do we see them as human organizations made of individuals working together in pursuit of a goal? And in most people's lives, their greatest desire is not how much money they're going to make, or [how quickly] they make VP [vice president] or something like this, it's the Golden Rule. If you can create this environment where there's connection of purpose and people can be themselves, then magic happens.

What does this look like in practice?
Let me give you an example. A mother comes into one of our [Best Buy] stores with her young child.

The child had gotten a tiny dinosaur toy as a gift. And the bad news is, the head is disconnected; the dinosaur is not in good shape.

The child would like the dinosaur to be cured, so they go to Best Buy. In the old days, [they] would have been shunted to the toy aisle to get a new dinosaur. But two associates in that store saw the situation, understood it at a very human level, took the dinosaur, and went behind the counter to perform a "surgical procedure" on the dinosaur.

And they walked the child step by step through the procedure—substituting, of course, the dinosaur with a new one—and they gave the child a "cured" dinosaur. Now, close your eyes and imagine the joy of the child and mother.

Do you think there was a standard operating procedure at Best Buy on how to deal with a sick dinosaur? Or a memo from me, the CEO, to everybody: "When you see a sick dinosaur, this is what you're going to do"? These associates found it in their hearts to create joy in this little boy. And they felt that they had the freedom to do that.

That's our role as leaders, to create this environment.

How did you come to the view of leadership you describe in the book?
There were a number of milestones in the last 30 years that helped me become—hopefully—a better leader. [One important] moment for me was my midlife crisis. I had gotten to "the top." I had been a

'I love the Lebanese poet Kahlil Gibran, who said, "Work is love made visible." Work can be part of our calling, part of our search for meaning, why we exist.'

'Do you think there was a standard operating procedure at Best Buy on how to deal with a sick dinosaur?'

partner at McKinsey; I was a member of the executive team at Vivendi Universal. And when I got to the top of that "first mountain"—I felt emptiness. I had worked so hard; I'd been successful. There was nothing there.

As a leader, we need to spend time with ourselves. In my case, I did the spiritual exercises of Ignatius of Loyola, the founder of the Jesuits, to revisit my life and try to discern my calling in life, my purpose. And for me, my purpose is to try to make a positive difference on the people around me and use the platform I have to make a positive difference in the world.

When I got to Best Buy, it struck me. Even during the turnaround, when we were supposed to sink [as a company], and after a gathering of all our store GMs [general managers], where we discussed the way forward, the feedback I got at the end of the day wasn't: "Oh, my God. Your plan is so great, so compelling, so smart." [The feedback] was: "You gave me hope"; it's how I made them feel.

And that changes completely the view of the role of the leader. The view of the leader as the smartest person in the room, driven by power, fame, glory, and money; the superhero who is there to save the day. But that doesn't work; that doesn't connect with people. Leaders must create an environment in which others can blossom.

Also, they need to be very clear about who they serve. So I told all of the [corporate] officers at Best Buy: "Look, if you believe you're here to serve yourself or your boss or me, as the CEO of the company, it's OK. I don't have a problem with that. Except you cannot work here. You can be promoted to being a Best Buy customer, which is a wonderful thing. But you cannot work here. On the other hand, if you're here to serve people on the front line, then we're good."

Integrity is important, and so are values. As is being an authentic, vulnerable, very human leader— which is the only way you can connect with others, opening up and connecting at a very personal level. And that's been my journey.

Hubert Joly is the former chairman and CEO of Best Buy. **Tom Fleming** is an executive editor in McKinsey's Chicago office.

Michael Useem on leading with an edge

How can leaders gain an elusive edge over competitors in a world turned upside down? Michael Useem draws lessons from ten executives to build a road map for mastering leadership.

Earlier this year, McKinsey Global Publishing's director, Raju Narisetti, chatted with Michael Useem, the William and Jacalyn Egan Professor of Management at the University of Pennsylvania's Wharton School, where he is also the director of the Center for Leadership and Change Management. In his new book, *The Edge: How 10 CEOs Learned to Lead—and the Lessons for Us All* (Wharton School Press, June 2021), Useem dissects the life and work of CEOs of major companies and chronicles how they approached decisions on everything from management and growth to hiring and the bottom line. An edited version of that conversation, focusing on key leaders mentioned in the book, follows.

Why do readers need this book now?

I teach leadership here at the Wharton School of the University of Pennsylvania. It began to hit me a couple years ago that we absolutely need to think about a curriculum. The content that students are focused on when they're here—content that's going to prepare them to lead when they're rising up at firms or agencies or whatever may be their future—and what they're going to need five years out or 15 years out unequivocally is not going to be the same as it was this year or ten years ago.

And more specifically, what really got me into this, with a slightly different meaning, is the famous phrase from Marshall Goldsmith, the executive coach, who wrote a book called *What Got You Here Won't Get You There*. That's more focused on individuals who have some bad habits, for example. But the phrase, I think, captures a truth, as well: that if you are leading, for example, Vanguard Group now, it's a different era from when Jack Bogle created the firm. If you're leading GE now, it's different from the era of Jack Welch. Our responsibility is, as university instructors, to get it right for the present and, even more importantly, for the future.

On Bill McNabb, former chairman and CEO of Vanguard:

Bill McNab had a long run, and we've had many, many conversations. He described going back to when he took charge of Vanguard—just before Lehman failed,

on September 15, back in 2008—and the global financial crisis followed. He said, "It just hit me. I can't run this firm like Jack Brennan, my predecessor."

On Mark Turner, former chairman at WSFS Financial Corporation:

I've come to know him very well. He began to appreciate that financial technologies were just coming as an onslaught into his industry, not to mention that young customers wanted no more than 20 seconds to open up an account. They didn't want to talk to a teller. They didn't want to set foot in a store. So to know what his successor—not to mention he himself in his final couple of years—ought to have in their own leadership repertoire, Mark Turner took a learning tour. Academics get that. We call it a sabbatical. It's one of the privileges of our vocation. Rarely have I seen it in business. But he did this, just to make it more tangible.

He wrote a note to everybody saying, "Hey guys, I'm out of here for three months. Don't call me unless it's absolutely necessary. I'm not going to call in. But I'm going to go visit 49 companies, ranging from Apple to Walmart, to understand how technology may be changing." So Mark Turner took a three-month learning tour, and it was extremely hard on him. He was on the road, in hotel rooms, for three months. When he would visit Walmart, for example, he spent a couple days with the former CEO there trying to understand what Walmart was doing to try to catch up with Amazon. Amazon, at that time, was purely online.

The question for Mark Turner was, is banking going to go totally digital? Is it going to get there halfway? Do we still have to have branch offices? With that sabbatical, that learning tour, three months in the field, he came back with some great answers to those questions. To sum it up—the story's told in much more detail, obviously, in the book—he concluded, and this has been WSFS's policy since then, that banking is fundamentally being changed by fintech. We all know that. On the other hand, at some points—say for a very complex home or business mortgage—you actually want to talk with a trusted adviser, maybe on the

phone, maybe in an office. So tech, he concluded, was going to come in. He had to make the changes. He had to find savings by closing offices so he could invest in new technologies.

But the point I want to conclude with is this: here was a person who was thinking about his successor, who was going to be enabled, in part by what happened on this learning tour, to take charge in a different era and lead fundamentally differently. So Mark led the way. It's like pouring concrete—putting down the sidewalk for the new person to walk on and leading in a world that was now more than half fintech and not just old banking.

On William Lauder, executive chairman of The Estée Lauder Companies:

The Estée Lauder Companies, as it's known, is one of the world's largest luxury fragrance companies. William Lauder, who I've spent a lot of time with, is the heir, third generation, of what's still a family-controlled company. He said to himself when he was chief executive, "I know we're going to have to become more nimble, less dependent on the cosmetics counters on the first floors of large department stores. We've got to get online. We've got to sell in China. And airports in Sri Lanka. In my own experience—I grew up in a company that didn't want to do those things—I know we have to move, but I don't have the wherewithal to get my senior staff to move with me."

In an unusual move he said, "I need a comrade in arms. Somebody who understands retail, high-end retail like me, who is not burdened by a past history or cultural blinders that come from growing up in a company." So he turned to a person named Fabrizio Freda, who had been at Procter & Gamble. He said, "Fabrizio, I'd love to have you come in now as the COO." William Lauder at the time was CEO. "And if things go well, I'm going to move myself up to be executive chair of the board."

The two of them have worked as a partnership—an unusual combination: executive chair and a CEO joined at the hip to make changes, to make waves, to turn the place upside down and culturally redirect. Now the majority of sales would no longer come out of department stores at the cosmetics counter. They wanted to lead in a world that has to be led differently.

The resistance in Estée Lauder Companies was pretty strong in making that change. So here was a person who was willing to work in collaboration. It's a genuine partnership to effect the changes that he could not make himself. He's done that, and he's brought Estée Lauder, with great success, into this decade. It took a decade to make it happen, but it's happened.

On Tricia Griffith, CEO and president of Progressive:

Tricia Griffith, who had gone to work for Progressive a long time ago as a claims adjuster, would go out to meet customers who had a car or a truck damaged and try to work up what the insurance company ought to be paying out as a result. She rose through the ranks, did everything very well, and became chief executive—and by the way, three years ago was named by Fortune magazine as the CEO of the year. Not bad for an insurance company. Most people don't know a whole lot about it.

In part, though, and this was the headline as Fortune put it, Progressive was growing faster than Google or Apple. In the long-standing "big boss" model— think, Jack Welch at GE—he or she commands; everybody else salutes and does. But Tricia Griffith took a different kind of leadership to such a refined state that it put her as number one on the front of Fortune magazine. That's because the big-boss model does not work with a new generation of employees or American cultural habits any longer. For instance, when I went to visit the headquarters, I was invited to tag along as she was meeting a group of new recruits. Progressive hires like crazy because they're growing so fast—some 40,000 employees were there at the time I was there, and they're hiring 7,000 to 8,000 a year.

The custom is to stride to the front, get up on a platform, and tell everybody about the vision for the company and how important our strategy is. But

when Tricia walks into a room with newly hired employees, she does what a great politician does: she'll start shaking hands from the get-go. So these young people, mainly newly hired, are looking three feet away and there is the CEO. They've seen her on television. They've seen her in the annual report. But there she is saying, "Where were you working before? How many kids do you have?" That kind of personal touch. Tricia Griffith came to the front. There was no riser. There was no stage. She did have a microphone. It was a big room.

She just began to tell everybody a little bit about her life. She went to a state school in Ohio. She came up through the ranks. She was a claims adjuster. But she began to put up her hand along the way and say, "You know, I've never done HR, human resources, and I'd love to have a swing at what happens there. I'd love to take a look at how we invest our monies, since people paid in for the insurance and the money sits there, sometimes for decades—I'd love to know about our investment strategy and portfolio."

And as a result of that, she came to learn about various functions. But she also learned that to be up on a pedestal was to underlead people who were working there. People want to know you value them. You're willing to come down with them and not stand on high above them. So she is my exemplar beyond the big-boss paradigm, which would have worked ten years ago at many companies. In fact, most. But in the next ten to 15 years, it's not going to have the traction that it once had.

On Alex Gorsky, chairman and CEO of Johnson & Johnson:
He came up, literally, from the lowest rung and now has the highest rung at a company that has about 140,000 employees. He came all the way up. And this is, to me, so indicative or symptomatic of what anybody with more than five employees ought to be thinking about. When he began at the bottom, nobody reported to him. And when he had three people reporting to him, he could tell them what to do or give them coaching. But when it's 140,000 far-flung employees around the world, in some 200 separate operating units, he doesn't see most of them, ever.

He does try to get out and about, obviously. So he doubled down on the famous Johnson & Johnson credo: 300 words that 75 years ago defined what a descendant of the original Johnson brothers said was vital for a company. "We have to make products that people want. We have to treat our employees fairly. We have to work with the community." The last paragraph, which is quite notable, says, "And if things go well, we're going to treat our shareholders well, too." Almost the inversion of the usual emphasis on total shareholder returns. So those are the values. But Alex Gorsky doesn't see a whole lot of those folks who are producing everything from shampoo to, now, COVID-19 vaccine and hip replacements.

Gorsky concluded that since this company is growing, he's going to have to double down but make the culture of the firm stronger. The culture is that medium, that invisible ether, which communicates indirectly the values and what he ultimately wants people to be doing when they come to work in the morning. Cultures get tired, though. He quickly recognized that. The wording is often out of date. There were, for example, some references that were gender specific, which is inappropriate in our era. There wasn't enough in there about the role of everybody helping to lead the firm, not just passively accepting the orders that are given to them.

It took a year, with lots of discussions and lots of testing, to adjust the words. Not a whole lot of words were needed for that culture, that definition of the J&J culture, to become contemporary, not tired and not a cause for people to say, "This doesn't speak to me. I don't understand what this is all about." Culture is a tool if we can use it well. That's going to be the calling of leaders in the future.

On Denise Ramos, former CEO and president of ITT:
Denise Ramos is really interesting because she's, in a sense, the inheritor of one of America's most famous companies. Some years ago, ITT became the poster child for the diversified conglomerate. It made telephones; it harvested forest products; it had an auto-rental company; it made Twinkies. How's that for

'Culture is a tool if we can use it well. That's going to be the calling of leaders in the future.'

diversified? That's kind of historic now. We don't have a whole lot of those left in the US. Other countries do, of course, but it's a vanishing breed in the US. In part that's because investors can't understand them, don't know how to price the stock and all that.

Denise Ramos, with an MBA in finance from the University of Chicago, worked for several other companies. She worked her way up in the finance function. She became chief financial officer of one of the more recent reincarnations of ITT. It was, however, still very diverse. The board and CEO at the time decided to break up ITT, which had already been broken up several times, to cast off three "children" that were "pure plays." One CEO was going to be replaced by three. The board chair at ITT, when she was still chief financial officer, said, "Denise, we'd like you to become CEO of one of the three spin-offs."

It turned out to be the most difficult one, by far, to manage. She did understand that at the outset. Denise said, "Well, why me? I'm in finance. I know how to collect a lot of money and then make certain we count everything at the end of the day correctly and report to the financial markets." The chair of the board said, "Denise, you're the kind of person we think is going to be essential in this coming era because you have been 'CEO before you have been CEO.'" You have to listen to that carefully. "You're CEO before you're CEO."

What he meant, obviously, was that she, as chief financial officer, had met with the board, or sat down with the chief executive, and explained not only everything there was to know about what was creating value and destroying value but also what you ought to do with the free cash that you now had. Should we acquire? Should we build a new plant? Should we open up in Taiwan? Those are leadership decisions for the CEO. And—correctly, I think—the chair of that board said, "Look, Denise, you're already thinking like a CEO. You're thinking about everything."

That gets to the bigger point I would take from this, which is that people in the future who are moving into leadership—not even necessarily toward the very top, but the rungs along the way—have to be specialists. That's what got you promoted in engineering, finance, operations, maybe marketing. But then to lead the enterprise, there are too many moving parts for you not to appreciate them all. So you have to learn how to work with the mayor of your community. You have to learn, for example, what's happening to people who are now unable to come to work and are dealing with families shut at home with COVID-19.

From her experience, and watching her up close, I think the board chair's statement was perfect for what's going to be required in the future. Whatever your leadership rank or rung, whatever you're leading, you really have to think like a CEO. One day you may

become CEO. What that signifies more broadly for me is that you've got to think about everything, from how teams work to why people want to come to work.

On Bo Ilsoe, partner, NGP Capital:

Bo Ilsoe took responsibility for a company that was making the lenses that provide photographic images in smartphones. We all carry a smartphone these days. We're all taking photographs like crazy. This was one of the premier makers, around the world, for the tiny lenses that had to reproduce great detail on the sensors inside.

He came into this venture-capital firm after the VC had already made its investment in this company. But the VC was coming to realize that this company was on the verge of going off a cliff for a lot of reasons, including the fact that it was hit with the 2008–09 global financial crisis. Bo Ilsoe spent a lot of time doing his due diligence on what was the problem. Was it the product? Was it the market? Was it the strategy? Or was it the person who ran the darn thing?

His conclusion was that the problem was not the strategy, not the quality or engineering of the product, and not the market, which was coming back two years after the global financial crisis, but the person who ran the enterprise. The person looked good on paper, but was not fully good. So Bo Ilsoe said, "My recommendation to the other partners is that we bring in a new person who has the complete leadership-talent set—not just two or three capacities, but all the capacities." This meant understanding the engineering, understanding why people are staying there and not quitting, understanding the HR side, understanding how to work with big customers like Apple and beyond. He found somebody that fit the bill. The person came in and, lo and behold, turned the company around.

A couple of years later, it was sold at an enormous price as the world unequivocally came to depend on those tiny little lenses in the back of mobile phones. The big point there for me, to wrap it up, is that in the era we're in, we do have to look carefully at the leaders we are working for or, if we're on the board,

ensure that they have the complete skill set required to lead now. And with the explosion—of smartphones, in this particular case—you want a person who can scale. One month, you get an order for 500,000 lenses; next month, you might have an order for two million. Can you scale? Can you market?

The question, I think, comes down to this: What is the leadership we're going to need in the years ahead? What are the defining qualities? I develop about a dozen in the book. They don't replace the traditional qualities—being strategic, an effective communicator, decisive in decision making. But these new qualities, I think, are really helping to define a new era. And I think we're all going to need them in spades to do well in the days ahead.

On Edward D. Breen, executive chairman of DuPont:

Ed Brain is someone who many people will know as the person who turned around Tyco International. Speaking of crisis, Tyco International, then run by a person named Dennis Kozlowski, had a CFO named Mark Swartz. As the company grew from nothing, the two of them did 900 acquisitions over a decade. It was like an acquisition almost every week for nine years. They built an enormous enterprise. Kozlowski was then seen as the next Jack Welch, and he even styled himself as the next Jack Welch. He was on the front of a couple magazines as "The Next Jack Welch."

Unfortunately, though, for everybody—employees, customers, suppliers, the board of directors, investors, and lenders—Mark Swartz, CFO, and Dennis Kozlowski, CEO, managed to steal, and I use that that term advisedly, about $500 million from the firm for personal, inappropriate purposes, such as a $3 million party for Dennis Kozlowski's wife in Sardinia. The company paid for that, a purely personal event. Dennis Kozlowski and Mark Swartz spent a number of years in state prison in the state of New York. Meanwhile, Ed Breen came in. He had been number two at Motorola and, boy, was he challenged.

He took over the company in the especially hot summer of 2002, literally an hour after there was a rumor the company was going to go bankrupt. Enron

had just gone bankrupt. WorldCom had just gone bankrupt. And Tyco looked like it was heading for the same dust heap. Ed Breen came in, and in one of the most sweeping remakes ever in American business history turned the company around. Its stock was so low that the market value of the company was getting close to zero. It was almost indicted. And he turned it around. The story line on his turning it around is really interesting.

Later on, he was invited in as an outside member of the board of directors at DuPont. This sometimes does happen: to become chief executive officer, to go from the board that picks the CEO to be the CEO. Informed by his time at Tyco, he quickly figured out that because of changes in the chemical and agricultural-product market, DuPont was now becoming a diversified conglomerate. So was Dow. So he and the Dow CEO sat down pretty quickly and decided to merge those two firms, the two best chemical and agricultural-product makers in America. Then—and this was all part of the plan—as soon as the companies were merged, they divided the company into three pure plays. Here's the point I want to make: Ed Breen learned how to take a struggling company and break it up several times into enterprises that were more market-worthy when they were in more narrowly defined market areas.

I think one of the great dangers out there is that we're looking back on what we know, what wisdom we've had, to inform our next move. But Ed Breen took a totally different view of how to solve the problems at Tyco versus DuPont. At Tyco, for example, he fired, literally, within a year, 290 of the 300 top people. When he came to DuPont, he did his due diligence and he said, "They're great. It's just a misguided structure in this modern age." So the point is to remember that we are a product of our history. There's a whole academic field called path dependency. We do now what we learned to do five years ago. Ed Breen broke that tendency and said, "I've now got to remake DuPont," and he did that very successfully in collaboration with the people at Dow.

On Jeffrey Robert Lurie, owner, Philadelphia Eagles (National Football League):
Jeffrey Lurie, owner of the Philadelphia Eagles, for many years was determined to take his team into the Super Bowl. And of course, the Eagles ended up in the Super Bowl a couple years ago and managed to pull off the miracle. It was an unexpected comeback in the final minutes with what became known as the Philly Philly Play, in which a person who had never thrown a pass threw a pass to the quarterback, who took it in for the extra points.

Jeff Lurie had been trying to achieve that moment, which is going to define his life forever, of a Super Bowl win, but with people who weren't going to deliver it to him. He replaced coaches. He tried various measures. But finally, to his great credit, he put together a combination of three parts. The underlying point in leadership is that one thing won't do it. Your height. Your gender. Your charisma. Your eloquence in front of people. Your strategic thinking. You need it all.

Jeff Lurie, believing you could learn a lot as a coach from players, developed a three-part formula. First, he made certain that he had a coach who was player-centric. It took him a while to get the right guy to do that. Number two, he concluded that the back office was part of the story. If the back office was dysfunctional, players on the field were not going to be able to play and demonstrate their best. Finally, you're not going to win in a field of 34 teams if you're not willing to take a few risks. Jeff Lurie said, "I want a coach who is player-centric." And then, separately, "I want the back office." By the way, these are big offices. They open the stadium and they do the payroll and they ultimately decide who's going to be on the field as decision makers in that area. So he wanted that to be in place.

He had to develop a mindset among the coach, the players, and the back office: a willingness to take risks and not be fired for them. It took a while to achieve that risk tolerance, risk willingness. But he put that together with a united inner circle of top

people, around the whole enterprise, who weren't players. Then the coach and players learned from each other. Voilà, they had an amazing Super Bowl.

On George Washington:
I finish off with a chapter on no less a person than George Washington, not known for his business experience but, rather, more for his experience in creating the country. And just to remind listeners, he went through either fourth or fifth grade before he dropped out. He never went to a military academy; there wasn't one at the time. No ROTC. He had not been in the ranks for 20 to 25 years to become a general officer, the way it is now in the US, but he put up his hand. The Continental Congress said, "George, you're the guy. Why don't you take charge of what we'll call the Continental Army and see if you can't get the British out of North America?" It took him seven years. He learned it all from scratch.

So here is my final case in point: this is all learnable. There's nothing secret here. We just have to find out what's vital. It's out there. Then we have to put up our hands and decide to become the leader we know the nation or the company or the community really needs.

Michael Useem is the William and Jacalyn Egan Professor of Management at the University of Pennsylvania's Wharton School, where he is also the director of the Center for Leadership and Change Management. **Raju Narisetti** is the director of McKinsey Global Publishing, based in McKinsey's New York office.

Dambisa Moyo on how boards can work better

In her new book, Dambisa Moyo explores the role of corporate boards in the 21st century and how they need to adapt to greater demands.

McKinsey's Astrid Sandoval chatted with global economist and board member of several large global organizations, Dambisa Moyo, about her new book, *How Boards Work: And How They Can Work Better in a Chaotic World* (Basic Books, 2021). Moyo offers a primer on the role that boards play and the growing challenges they face to meet greater social and cultural demands. An edited excerpt of the conversation follows.

Why this book and why now?

I joined my first board just over ten years ago, and the truth is in many ways, I did not embody the conventional board member. I was 39 years old and relatively young compared to the average board age. I'm Black. I'm from Africa, and I'm a woman. The other aspect, which was really crucial, is I didn't come from the C-suite. Very often, boards are looking for people who have had tremendous experience as CEOs or CFOs of large, global, and complex organizations. In that respect, the chairmen of the different companies of whose boards I joined were really taking a chance on me.

Since then, I have had a decade of incredible experiences. I have had the trauma of a CEO chairman dying while in the office. I've had a company get taken over for $100 billion in 2016, the largest transaction of that year. I've had activists in a stock where I was on the board, which can be incredibly disruptive. I've had to fire a number of CEOs, very often, though not all the time, but very often for ethical infringements. And I've also had a situation where we've had a stock price go from nearly $60 down to $7 and generate a lot of concern that the company wouldn't survive. Thankfully, I can assure you that the company is still around.

So it's been a wild ride for ten years. I've learned a tremendous amount and been very grateful for the opportunity. But it has really refined my thinking about how complex organizations are and how we need everyone at the table—government, corporations, and civil society—in order to solve some of the biggest challenges that the world faces today.

What problem were you trying to solve with this book?

I was trying to solve two problems. The first problem is a macro problem on what the role of corporations is and should be in the 21st century. The book talks about the challenges that boards and corporations face in trying to recalibrate and reassert the importance of corporations at a time when there are greater demands on what the board and the corporate mandate actually are.

The second problem I address in this book is the lack of information on what exactly the board does. And this was true, and became very clear to me in conversations with students in MBA classes, employees at the companies where I serve on the board, and also, more generally, with friends and family. There was a negative narrative about boards being described as a group of people who just played golf and drank fine wines. I wanted to be very clear on not only what the mandate is, but also to explain why it's so difficult and challenging to do a lot of things that people think should be easy and straightforward, such as firing a CEO or implementing some of the big ESG [environmental, social, and governance] agenda questions that are very pervasive these days.

What surprised you most about writing this book— in the research, writing, or response?

The really surprising thing for me was trying to articulate the trade-offs that board members and corporations face on a day-to-day basis. There is definitely a sense out there in speaking to people that boards and corporations are not aligned with societal needs and that boards have a relatively easy job in terms of dictating what the responsibilities of the company should be. Trying to bring people along to help them understand this is actually a very complicated, very difficult job, which is fraught with mistakes and a lot at risk, was an area that was quite surprising.

Winning in all environments

Even before the pandemic, we have been living in what feels like a more chaotic world. How has that affected boards?

It is absolutely true that a world of more digitization and greater pressure from social demands is making it much more challenging for boards to think about their mandates and how to navigate corporations through these challenged periods. However, and I think COVID-19 is a great example of this, the best corporations are managing their businesses, and by that I mean in terms of foundational aspects of having good controls, strong balance sheets, and well-run operations in terms of people, operational staff, et cetera. Those aspects, when they are bedded down, will work regardless of the broader economic environment.

One of my CEOs often uses the term "winning in all environments," and I like that because we don't know what challenges—whether they're economic, macroeconomic, a pandemic, or geopolitical—may emerge. But our responsibility as a board, and as senior business leaders, is to make sure that we have not only risk-mitigated in the way companies run, but also are constantly making sure that regardless of what gets thrown at us, the companies can continue to operate.

How important is it to have a diversity of perspectives in the boardroom, particularly during a crisis?

It is clear that it's not just about racial diversity or gender diversity but also the broader lens of diversity. Having people with different perspectives—whether it's from geopolitical and public-policy backgrounds, academe, and scientists—bringing those into the boardroom so that it doesn't just reflect businesspeople is clearly something that I believe is beneficial to the organization.

The best corporations will continue to think about adding diverse voices and perspectives to the boardroom. It is also patently clear to me that you want the boardroom to be at least 40 percent populated by people who have been in the CEO seat previously. What is clear is that CEOs of large, complex, global organizations, in particular, need to be able to find counsel, support, and objective perspectives from people who have essentially been in that specific role and seat before.

Know your mandate

What is one piece of advice you would give existing board members and those considering joining a board for the first time?

One of the things I would say to existing board members is that we shouldn't flatter ourselves. Other boards before us have had, I would argue, even greater challenges. Think for a moment about trying to run a business during the middle of a civil war, or indeed World War I and World War II. That would have been incredibly challenging. We are in a challenged environment, but I'm very optimistic that we can actually do something that will continue to drive better business over a longer period of time.

'It is absolutely true that a world of more digitization and greater pressure from social demands is making it much more challenging for boards.'

'When joining a board, you're joining in the middle of a movie. Boards have existed for a long time. There's a lot of scope for improvement.'

With respect to new board members, I think the salient point here is for them to understand the mandate of the board and the levers that boards have in order to effect change. The mandate of the board has three key aspects. One is to oversee the strategy of the company, and we do this by having a full-on strategy day. It's usually two or three days. But also we do that through regular short-, medium-, and long-term strategy planning.

The second is to hire or, in some instances, fire the CEO. This is a very important aspect because the relationship between the CEO and the board is critical, and the CEO defines the cultural aspects of how a company operates. Traditionally, boards focus on financial, operational, and past experiences. But we also need much more perspective on the ethical history of CEOs as we think about them as candidates. We have a lot responsibility and a great opportunity to effect change in the organization by who we hire, but also through compensation. And more and more, I'm pleased to see that many boards are now adding social aspects that contribute to compensation.

The third role of the board is this cultural frontier, which I separate into two parts in the book: The part about nonnegotiables, things like excellence, professionalism, and the new cultural-frontier aspect, are much more challenged and have a whole array of trade-offs associated with them.

When joining a board, you're joining in the middle of a movie. Boards have existed for a long time. There's a lot of scope for improvement, but fundamentally there's an important role that boards have played, do play, and will continue to play. And the best new board members are those that bring fresh perspectives but also understand the subtlety and the more nuanced challenges that corporations and boards face.

Dambisa Moyo is a global economist and author. **Astrid Sandoval** is an executive editor in McKinsey's London office and the editorial director of McKinsey's COVID Response Center.

Photo by Mary Ellen Matthews

Somebody tell a joke

Two Stanford faculty members explain why we need more humor at work.

McKinsey executive editor Roberta Fusaro spoke with Stanford Graduate School of Business faculty members Jennifer Aaker and Naomi Bagdonas about their book, *Humor, Seriously: Why Humor Is a Secret Weapon in Business and Life* (Currency, 2021). Drawing on years of field research and classroom workshops, the authors explain the theory of humor—what it is, how it works, and why business leaders need it—without totally giving away the punchline. An edited version of the conversation follows.

What problem were you trying to solve with this book?

Naomi Bagdonas: The problem is that we working professionals have fallen off a humor cliff. This conclusion is based on research with over 1.4 million people, in 166 countries, who were asked a really simple question: "Did you smile or laugh a lot yesterday?" At age 16, 18, or 20, people are largely saying yes. At age 23, the answer quickly becomes no—and we don't start laughing again until we retire. We go to work and we stop laughing. We asked ourselves, "How would our businesses and our lives change for the better if we had more joy at work?"

More broadly, we wanted to understand how would our world change for the better if each of us navigated our lives on the precipice of a smile.

How did you come to focus on the topic?

Naomi Bagdonas: The question and the problem were personal for me. For ten years, I spent my days climbing the corporate ranks, and by night I was doing improv and sketch comedy. I was leading a double life. I was doing really well at my job, but I was doing what brought me joy only on weekends. As a result, I was inauthentic at work, I wasn't making close friends, and I felt like I was close to burnout.

Jennifer Aaker: I never prioritized humor. I enjoy laughing—which is hard to say without sounding like a sociopath—but I never really thought of humor as being something that was important. It wasn't aligned with the goal I had for most of my career, which was to publish papers, do research, and teach.

About eight years ago, I met Amit Gupta, an entrepreneur who was diagnosed with leukemia and couldn't find a match in the national bone-marrow registry. He used humor and levity to meet this

‘**We wanted to understand how would our world change for the better if each of us navigated our lives on the precipice of a smile.**’

—Naomi Bagdonas

challenge. To find matches, he planned BYOSA—bring your own South Asian—parties in New York clubs. He asked comedians to do public-service announcements: Give a Spit About Cancer. In a short period of time, he found a match, and in the process he found matches for countless others. He survived. He's very healthy now. And I went from thinking that humor was this superfluous thing to thinking that it was a secret weapon.

What surprised you in the writing, the research, or the reactions to the book?

Jennifer Aaker: One thing is just the ROI on humor. It has a substantive impact on many of the dependent variables that we look at from a business perspective. For example, leaders with a sense of humor—any sense of humor, not even a good sense of humor—are 27 percent more motivating and inspiring. Their employees are 15 percent more engaged when they work with them. And their teams are twice as creative as measured by having them solve a creativity challenge.

If you don't care about motivation, admiration, or creativity, you might enjoy knowing that humor will make you wealthier. One of our favorite studies showed that if you add a simple, light-hearted line to the end of a sales pitch—like "This is my final offer. And I'll throw in my pet frog"—consumers are much more likely to go for it. That's right, a bad dad joke can get you an 18 percent–higher price point.

How do you know when and how to inject humor into a work situation?

Naomi Bagdonas: Part of it is realizing that humor at work is not really about being funny. It's about being human and more connected to our colleagues. It's not about what I say and whether people think I'm funny; it's about how a joke will make people feel when it lands on them. Each of us has our own humor style. There are basically four humor styles—the stand-up, the sweetheart, the sniper, and the magnet—and each of us is naturally inclined to one or two of them. And we can flex our styles based on context.

Jennifer Aaker: The typology illuminates the natural risks that people feel or experience when they use humor at work. Stand-ups, for example, tend to tease others, almost as a sign that "I like you." But that directness could hurt the feelings of those with different humor styles. Sweethearts may be more understated in their style of humor, but they're often so focused on lifting others up that they can overindex on self-deprecation. At higher levels of status in an organization, self-deprecation is a really powerful tool. But at lower levels, it can actually boomerang. To use humor authentically at work, you need to understand not just your own humor style but that of your team.

What happens if you bomb with your audience?

Naomi Bagdonas: You never use humor again.

Jennifer Aaker: Ever.

Naomi Bagdonas: Ever.

Jennifer Aaker: And then you die. Sorry, too dark? Did I go too dark?

Naomi Bagdonas: And that's our book about humor, folks!

No, really—what happens if you bomb?

Naomi Bagdonas: Humor failures are really nuanced. There are two kinds. The first is the benign humor fail, where your joke just doesn't get a laugh. The second is when we use humor that crosses a line in some way that we're not aware of. In this context, it can be really tempting to brush it off as the other person's problem, right? But these are actually golden opportunities to acknowledge our mistakes and reflect on our blind spots.

There is a rule in comedy: never punch down. And that is true in the workplace, too. You never want to make fun of someone with lower status than you. This is particularly important for leaders because as we rise in the ranks of an organization, our playing field for humor changes. Senior leaders may

'Leaders with a sense of humor are 27 percent more motivating and inspiring, their employees are 15 percent more engaged, and their teams are twice as creative.'

—Jennifer Aaker

recognize that while self-deprecation wasn't a tool that they used very well early in their careers, it can now be a superpower in their current position.

It also goes without saying that humor is incredibly context dependent. Take a minute to read the room. A CEO walked into the room shortly after letting one of his senior leaders go and made an insensitive joke about her departure. He did it because he wanted to diffuse tension in the room. But if he had taken a moment to recognize what was really going on for him, and to have a moment of empathy for those in the room, he never would have made that joke.

What if you're not naturally funny—can you learn to be?
Jennifer Aaker: As someone who was voted the least funny person in my family by all five members, including the dog, I have an answer to that one— yes! Our research shows that humor is a learnable skill. We all have a sense of humor, and, using the humor typology, we can understand others' sense of humor. We can learn how to be funny from others, especially comedians. The power of humor isn't just in building bonds or sparking creativity or increasing status or even improving resilience and mental well-being. It's about finding a balance between gravity and levity and giving power to both.

Jennifer Aaker is the General Atlantic Professor at the Stanford Graduate School of Business, where **Naomi Bagdonas** is a lecturer and an executive coach. **Roberta Fusaro** is an executive editor in McKinsey's Waltham, Massachusetts, office.

Nicolai Tillisch on how to frame ambition (and not let it frame you)

Years of coaching leaders led to an ah-ha moment: ambition can undermine even the most successful people. The challenge is more complex than work–life balance.

McKinsey senior editor Barbara Tierney chatted with Nicolai Tillisch about his new book, *Return on Ambition: A Radical Approach to Your Achievement, Growth, and Well-Being* (Fast Company Press, January 2021). Tillisch, a McKinsey alumnus who now works with the global coaching firm Cultivating Leadership, talked about how seeing so many people struggle with achievement spurred him and his coauthor, Nicolai Chen Nielsen, to create a framework and tool kit to help them. He also spoke in personal terms about the limits of his own ambition. An edited version of the conversation follows.

What problem are you trying to solve with this book?

The problem we focused on is that too many ambitious people are working really hard without becoming as successful as they could be or sacrificing much more of their fulfillment in life than they need to.

We found that, actually, there's a lot of doubt out there. There are indications that up to half—and in some cases well beyond half—of the people we consider ambitious actually doubt whether the effort they are making is worth it. They struggle to keep everything together in their lives.

For me personally, I came into the research because I was looking at how I could help people perform. And then suddenly a whole picture opened up—that this is not just about performance. It really is holistic: you can achieve, but if you don't have growth and well-being at the same time, it will be really difficult.

What is the core concept behind "return on ambition" and how can you measure it?

The book defines ambition as a powerful yearning and drive to attain a future state that is different from today's and challenging to reach. And that's relevant for most ambitious people. So this book can be read by somebody who just joined the firm, and it can be read by somebody who is well into their career. The way we measure this is that we simply have a formula: return on ambition equals achievement plus growth plus well-being. And all three factors are vital.

Also, each element impacts the others. They are interdependent. So what we saw, and it's actually quite beautiful, is that when we interviewed people we considered to be successful over time and also assessed them as having fulfilling life, one of the very clear patterns is that they nurture all three factors—achievement, growth, and well-being—on an ongoing basis. On the other hand, we found so many examples, and also a ton of research, indicating that if you compromise on one of the three for a long period of time, then you will hurt the two others.

Making a choice

What are the seven "frenemies" of ambitious people?

The seven frenemies double as the virtues of ambitious people. They are competitiveness, desire, perseverance, boldness, independence, convention, and flexibility. And what we have seen is that most ambitious people can recognize several of these in themselves.

For me personally, I have a very close relationship with perseverance and competitiveness. Going all the way back to school and academia, I would never have gotten to where I am had it not been for these friends. But down the line, they also started dominating me quite a lot, and it was very exhausting for me and also for my colleagues. And in hindsight, I sacrificed way too much with my family and friends.

So what is very clear is that these two particular frenemies—perseverance and competitiveness—have increasingly managed me. And the moment I became aware of this, I took the conscious choice to, basically, overrule my instincts and follow my intuition. You might say that my normal thought patterns, my behavioral habits, are not supporting what I'm trying to do now. And that's a huge shift. But it's possible.

'It was very exhausting for me and also for my colleagues. And in hindsight, I sacrificed way too much with my family and friends.'

Once you decide that ambition has created an imbalance in your life, how do you set a new target?
The big disease of ambitious people is that they try to do too much. They have too many goals or equivalents to goals. They spread themselves thin. So the book counters that by distinguishing between long-lasting principles, one short-term improvement priority, and weekly intentions. The book contains a dedicated tool for each of these three.

It's not only about setting a target but also learning from that target and expanding your future capacity. And you can make this exciting and pursue it in a way that you take good care of yourself.

A big takeaway for leaders is how they think about their own ambitions and also the people who helped them achieve these ambitions. Because this is not just about those achievements. When you want people to do their absolute best over time, you need to pay attention not only to their achievements themself.

The biggest trend right now in work is to look not at employee satisfaction but at employee life satisfaction. So you need to look at the whole picture.

Of forests and trees

What surprised you most about writing this book?
As a McKinsey alumnus, I have some beautiful techniques in problem solving! And I must admit that while working on this book, I couldn't see the forest for the trees many times. So we went through tons of scientific research to backstop our findings.

We conducted a big survey around the world. We interviewed a lot of people and did very deep interviews with a collection of very ambitious people. And we ended up reconceptualizing the book twice. We threw out hundreds of pages of draft manuscript.

So the big surprise for me is that this ended up being such a nice little elegant system, with one return-on-ambition equation, seven frenemies, and four tools. So you can say the book didn't end up actually being a forest, but much more of a well-composed baroque garden.

Nicolai Tillisch is the regional partner of the Leadership Circle. **Barbara Tierney** is a senior editor of McKinsey Global Publishing, based in McKinsey's New York office.

Shankar Vedantam on the power and paradox of self-deception

The host of *Hidden Brain* on NPR discusses the lies we all tell ourselves and the role they play in easing everyday life.

In anticipation of the release of his new book, McKinsey Global Publishing's director Raju Narisetti chatted with Shankar Vedantam, the host of NPR's Hidden Brain podcast. In *Useful Delusions: The Power and Paradox of the Self-Deceiving Brain* (W.W. Norton, March 2021), Vedantam and coauthor Bill Mesler argue that, paradoxically, self-deception—normally believed to do harm to us, to our communities, and to the planet—can also play a vital role in our success and well-being. An edited version of the conversation follows.

Understanding self-deception

We're all liars, aren't we?
As I've written this book, I have noticed numerous cases in my own life when my behavior has deviated from rational choice. Let me give you a couple of examples. A few years ago, my dad was dying from lung cancer, and he was going downhill very quickly. And I would see him periodically every couple of months. And each time I saw him, he looked much sicker. He looked much worse than he did the previous time.

Now all of us have been in situations like this. We've seen people going through terminal illnesses. This is extraordinarily painful for the person who's going through it and for the family as well. But my dad would eagerly ask me each time he saw me how I thought that he was doing.

And when he asked me that question, I invariably lied. I told him, "I think things look like they're going pretty well. In many ways, things seem to be looking up and are going better than we could have anticipated. It sounds like you might [end up being] one of the lucky ones."

Now someone could look at what I said and say, "You know, you're a cruel, heartless person for lying to your dad." But I think most of us in this situation would see that what I did was, in fact, a human thing to do. When we are speaking to people whom we love, whom we care about, and they're experiencing

great suffering, we don't often feel that it's our job to tell them the exact truth.

When a friend comes up to you and says, "You know, I'm going through a divorce," you don't tell your friend, "Well, you're going through a divorce because you were a terrible partner. Serves you right." You tell your friend, "I'm really sorry for what's happened to you. I'm sure that things are going to look up in the future. Let's maybe sit down and talk about how we can make things better for you."

That's what makes you a good friend. One last example: some months ago, I was traveling away from my home when I started to experience a loss of vision in one eye. Now, I have a family history of retinal problems, and it turned out that I was suffering a retinal detachment.

For those who are not familiar with this, the retina is the screen behind the eye. It allows you to see, and so, when the retina comes off its hinges, you can essentially lose your vision altogether. Now I was very far from my home. I didn't have doctors nearby. I eventually managed to find an eye doctor who very kindly opened his practice for me at 9:00 p.m. on a Tuesday night. He diagnosed me with a retinal detachment, and he said, "You need to go into surgery in the next few minutes or you're going to lose your eye."

Now at that point, I didn't have a chance to get a second opinion. I didn't have a chance to look up reviews and see whether he was a good doctor or a bad doctor. I did what all of us do in a situation like this. When you're drowning and someone throws you a lifeline, you don't question that lifeline.

You grab onto that lifeline, you hold onto it, you believe in it. And that's exactly what I did. I trusted the doctor. As it turned out, he was a brilliant surgeon. He ended up saving my eye, for which I'm profoundly grateful. But it reminded me that in that moment of great vulnerability, I did not respond with reason and logic.

I responded with trust and with faith. When we go through vulnerable times, we need to reach out to other people. When other people are going through vulnerable times, we need to reach out to them. In some ways, that idea is at the core idea of *Useful Delusions*—when we see the delusions of other people, it's easy to sit in judgment of them. It's easy to be contemptuous of them. But it is far more helpful and far wiser to be empathetic to them, to be compassionate, and to be curious about how it is they came to be thinking the way they do.

What were you hoping to accomplish with this book?
The problem that I was trying to address grew out of what I've seen for many years as a journalist. We in the news media have often covered various events, and we would present facts to the public. And very often, these facts would not have the effect that we thought they were going to have.

I'll give you an example. During the four years of the Trump presidency, *The Washington Post* catalogued more than 30,000 lies and falsehoods that came out of the Trump White House. The net effect of all of this was that Donald Trump received 11 million more votes in 2020 than he did in 2016.

And examples like this prompted me to ask the question, "What exactly are facts doing? When we provide people with facts and information, are people actually processing the information the way we think they're processing the information? Or is it in fact the case that their minds are shaping and filtering that information in all kinds of ways?" My book is trying to grapple with questions like these, about how the brain, in some ways, invents realities of its own—sometimes for good and sometimes for ill.

What surprised you when researching this topic?
The thing that surprised me most when researching the topic had to do with my own mind. I think of myself as being a deeply logical and rational person. And the idea that self-deception can ever be good for you is something that I find not only counterintuitive but also deeply disturbing.

I've spent much of my career trying to fight self-deception, both in my own head as well as in the minds of the general public. And so, I was disturbed to find there are many, many domains where certain self-deceptions can be good for us.

I'm sure we'll talk about some of these, but among them would be our personal relationships. It helps, for example, to have slightly delusional views about the people you love, your partner, your children, your parents. It helps to see them in a positive light. When we look at them through rose-tinted glasses, not only are we happier in those relationships, but those relationships are likely to last longer.

'The brain, in some ways, invents realities of its own—sometimes for good and sometimes for ill.'

The truth about lying

Should we aim to dismantle self-deception or embrace it?

There's a question that's often raised: Is self-deception a bug or is it a feature? And the answer to that question really is, it's both. Self-deceptions can help us lead more functional lives, but they can also lead us in very, very bad directions.

When it comes to politics, for example, self-deception can prompt us to believe the claims that politicians are making before an election, even when those claims are patently false. One way I think we can overcome and fight these self-deceptions is to practice what scientists call the scientific method—to actually subject claims to rigorous analysis and to ask for evidence for the things that we believe.

Now, very often, most of us are very good at asking our opponents to provide evidence for the things they believe. In other words, we use skepticism as a weapon, as a tool, to win arguments. One of the things I think you can do to dismantle self-deception in your own brain is to apply the tools of skepticism to yourself and to your own thinking.

The great physicist and scientist Richard Feynman said, "The first rule in science is that you must not fool yourself, and you are the easiest person to fool." And I think that is an important insight. All of us believe that other people are prone to self-deception. The very nature of self-deception makes it very hard for us to see when we ourselves are its victims.

What role does self-deception play in the workplace?

One of the questions that's sometimes asked of me is, "What are the implications in your book for business settings? Does it have implications for how companies should be run, for how transparent they should be?" And the answer to that question is yes.

Many of us believe—and for a long time, I believed this myself—that more transparency is always a good thing. That the more transparent we could be, the better things would be. And in general, I think that's a good principle. But it is the case that in many, many dimensions of our lives, it actually is helpful to at least shade the truth a little bit.

Let me give you the simplest of examples. When we talk to one another in the workplace, it's really important for us to be civil to one another, to be polite to one another, to phrase requests as requests rather than commands or orders. Now you could argue that, in some ways, this is a form of deception.

It would be more honest for the boss simply to tell the underling, "Go out and do this," rather than say, "Would you have a couple of minutes to help me with a favor that I need?" But the reason we do this, and the reason we speak in these indirect ways, is because it's been shown that the politeness, courtesies, and kindnesses we show one another in the workplace are really vital to the success of workplaces.

But what about when it comes to transparency on other fronts? For example, should we simply make everyone's salary transparent to have a more egalitarian workplace? The state of California tried to do just that some time ago. Reporters unearthed the salaries of all the public employees in the state of California and made it public.

And their goal was laudable. Their goal was to say, "Let's have more transparency in terms of showing who makes how much money." The net effect of this, however, was very, very sad. Many of the people who were very good employees saw that there were other employees who were making more than them, and they thought these other employees were not as good as them. And they felt undervalued. These employees became more likely to quit.

This intervention, which began with laudable goals, ended up driving many of the people who were the best workers out of the organization—which, in this case, was the state of California—and ended up keeping in place the people who were the best compensated but not necessarily the best workers. It's another small example of how, even though it might seem, superficially, that some amount of opaqueness is bad, it might actually be the case that some amount of opaqueness is actually good for us.

Self-deception in the service of good

How do we harness self-deception to address, say, climate change?
So before we think about the good that self-deception can do in the world, it's worth looking at how self-deception just operates in the world as it is. For example, I'm a sports fan, and every January, when the NFL playoffs are going on, I watch teams playing in −10° weather in Green Bay, Wisconsin.

And when you look in the stands, there're always those five people who are standing there without wearing any shirts in that weather. And snow is falling on them, and they have their team colors written on their chests.

And you have to ask yourself, what is prompting these people to pursue their fandom of the team with such maniacal focus? Surely, it's a form of self-deception? A team, after all, is just a business that happens to be located in your town. The players who are playing for your team are not even from your town. They've actually been imported from all over different places, and yet you're willing to stand in the freezing cold with your shirt off so that you can demonstrate your loyalty to the team.

The reason I mention this is that in many ways, I think we need to leverage the capacity of the human mind to form deep, tribal loyalties and direct those tribal loyalties in the service of goals that are much more important than your local football team.

So take the problem of climate change. At an individual level, each of us might come out ahead if we drive more, if we fly more, if we burn more fossil fuels. We might come out narrowly ahead, but the collective as a whole, the planet as a whole, might pay a price. And so, there is a mismatch between the incentives here, because at an individual level, I am not personally incentivized to care about climate change.

That's precisely the kind of problem that religions may have come into existence to solve—where you have mass problems, where people need to collectively take some action, where I need to look out not just for my personal self-interest but for the collective interest.

And religion, in some ways, can help us see that fighting climate change is not just a cost-benefit equation, the way that we typically talk about it; it needs to be a sacred value. We need to have the same relationship to fighting the climate as those fans in Green Bay have toward their sports team.

We need to have the same fervor, the same passion. And I would argue that what we should be doing is harnessing the capacity of the brain for self-deception in the service of these laudable goals.

How can organizations get their employees to do their best?
So one of the things that companies often have to grapple with when it comes to encouraging people to do their best is to ask, "What conditions will prompt people to put their best foot forward?" For example, some researchers found that positive illusions are useful in helping people deal with the challenges they encounter in the workplace.

So, let's say I were to join McKinsey tomorrow, and I discover during my first month at McKinsey that I encounter all kinds of problems. Now, this is normal. You would expect that somebody who joins the company for the first time is going to encounter all kinds of problems.

'When [people feel that they belong in an organization] and then they encounter setbacks, they're more likely to weather those setbacks and more likely to move forward.'

But if I am not blessed with a certain amount of self-confidence, I might interpret those problems as a signal that tells me, "I don't belong at McKinsey. People like me do not belong at McKinsey. I am an imposter; I should not be here." And I might draw the wrong conclusion that the best answer for me is to leave the company.

For many companies, McKinsey being one of them but hardly the only one, many people who are women and minorities often experience this when they enter workplaces. They see very few other people who look like them, and so when they encounter setbacks in the workplace or at a university when they join, they often misinterpret those signals to mean that they don't belong in that workplace.

Many years ago, the researcher Greg Walton at Stanford University conducted a very interesting experiment. He brought in African American first-year students at Stanford, and he asked them to come up with a little intervention.

He asked them to write little articles where they describe what it was like in their first year of college, the kind of setbacks and obstacles they faced, and how those setbacks and obstacles turned out to be transient. And what he was trying to do was to tell these people that, "Yes, you faced setbacks. Maybe you got a bad grade or maybe you didn't get along with a professor. Maybe you didn't have friends, and you felt lonely."

But it turned out that these problems were, in fact, transient problems. Everyone in their first year of college goes through some version of these problems. When he eventually tracked the performance of these students over the course of the next four years, he found that these students significantly outperformed students who had not been through this intervention.

In other words, being reminded that these setbacks are transient is very useful. Another way to think about this is that you want to instill a certain sense of self-confidence in people, a certain sense of positive illusions.

You want to give people the belief that they belong at your organization. They belong at your university. When they have that belief and then they encounter setbacks, they're more likely to weather those setbacks and more likely to move forward.

Shankar Vedantam, the host of NPR's *Hidden Brain* podcast, lives in Washington, DC. **Raju Narisetti** is the director of McKinsey Global Publishing, based in McKinsey's New York office.

Kristin Neff on harnessing fierce self-compassion

Kristin Neff discusses how women can balance tender self-acceptance with fierce action to claim their power—in the workplace and beyond.

McKinsey's Raju Narisetti chatted with Kristin Neff about her new book, *Fierce Self-Compassion: How Women Can Harness Kindness to Speak Up, Claim Their Power and Thrive* (Harper Wave, June 2021). Neff, a pioneer in the field of self-compassion research, presents ideas that expand the notion of self-kindness and its capacity to transform lives. An edited version of the conversation follows.

On being a ferociously compassionate mess:
Life is messy, right? The human condition is an imperfect one. And one of my favorite quotes is that "the goal of practice is simply to be a compassionate mess."[1] In other words, that should be the aim of our life: to be compassionate mess. So there are really two ways we can show ourselves compassion. There's tender self-compassion, and there's fierce self-compassion.

Tender self-compassion is the ability for us just to be with ourselves as we are—in all our messiness, in all our brokenness, in all our imperfection—and also to be open to the pain of life. When we do that with compassion, it makes a huge difference in our ability to cope. Yes, we can't always get it right, and life's certainly not going to always go right for us. But when we can hold our pain and our struggle and our difficulty with compassion, it gives us the emotional resources we need to really survive and get through.

But it's not just tender self-compassion we need get through the mess of life. We also need *fierce* self-compassion. In other words, we don't want to just be complacent about this mess called life. We also want to do what we can to change things for the better, not only inside ourselves, but also outside of us. Part of fierce self-compassion is fighting for justice, drawing boundaries, motivating change. This is also a really important part of compassion as we wade through the mess of life. The main theme of the book is that we need to balance this fierce and tender approach to ourselves and our lives in order to be ultimately strong and resilient and effective.

Unleashing our fierce side

Is the challenge self-compassion or fierceness?
My research shows that the vast majority of people are significantly kinder and more compassionate to others than they are to themselves. For women, it's 86 percent, and for men, it's 67 percent. It's especially hard for a woman because women are really socialized to be kind and giving to others and not necessarily themselves. There's good news and bad news in that.

The bad news is, most of us aren't in the habit of being compassionate to ourselves, so it is a little bit difficult. It comes quite naturally to us when we're compassionate to our friends, when our friends need our support. Many of us haven't even thought about the fact that we can show ourselves the same kindness, care, and concern as we show those we care about.

But the good news is, it's actually not that difficult to be self-compassionate. Yeah, it may feel a little bit weird. It may feel a little awkward. Maybe it feels a little phony at first. But we already know how to do it. We already have the template and the well-developed skills to know how to be warm, supportive, and encouraging, how to use constructive criticism. So all we really need to do is give ourselves permission to make a U-turn and learn to treat ourselves the same way.

It's not hard. It's more about some of the blocks that stand in the way. For instance, we think that if we're kind to ourselves, we're going to be lazy and self-indulgent and lose our motivation or become weak. And again, the research shows it's the exact opposite. The kinder we are, the stronger, the more motivated we'll be, and the more we're able to give to others. So it's really just a mind shift that we need to make.

I knew all the benefits self-compassion gave us. But with this book, part of what I wanted to do is talk about how self-compassion can be used in realms

---

[1] Rob Nairn, from various lessons on meditation.

'[People] don't like angry women, which disempowers us because anger— when it's harnessed for good, when it's harnessed for alleviating suffering—is an important aspect of self-compassion.'

that maybe we haven't thought about so much. And one of the most important realms that this book is really predicated on is the ability of self-compassion to help women, in particular, reclaim their fierce side. Unfortunately, gender-role socialization makes it hard for a woman to be as fierce as we may need to be in certain situations: to stand up for ourselves or to draw boundaries. People don't really like fierce women. They especially don't like angry women, which disempowers us because anger—when it's harnessed for good, when it's harnessed for alleviating suffering—is an important aspect of self-compassion.

I started talking to women about the role that fierce self-compassion played in their lives or just the role of fierceness in their lives. And I was really surprised by how many women said that they absolutely needed permission to develop their fierce sides. Just understanding that we can frame fierceness—even anger, drawing boundaries, meeting our own needs, as opposed to continually giving them up for others— as an aspect of compassion makes a huge difference for women in our ability to reclaim this fierce side of ourselves. And I was really touched by how much women shared in terms of the ability of owning their fierceness [meant they] had to really change their lives.

On practicing "gender judo" at work:
In the book, I quote some research by a professor at UC Hastings Law, Joan Williams, who talks about

the need for women to practice what she calls "gender judo." Judo is a martial art where you basically have to use your opponent's momentum to defend yourself in order to make sure that you don't get knocked over. And she argues that women have to do this in terms of balancing how we express the different sides of our nature at work.

Women aren't allowed to be fierce. Gender-role socialization shows that women are supposed to be tender and nurturing—and not fierce. The research on women's success at work is really quite disheartening. You have to be competent and kind of fierce and stand up for yourself and your ideas in the workplace.

People don't like women who are too competent or who stand up for their ideas, because they assume that a competent woman isn't nurturing, and we like nurturing women. And unfortunately, one of negative consequences of that is, women aren't promoted as much or paid as much, because of this perception that a competent woman—which she needs to be to succeed—is not likable. And so we tend not to promote or pay unlikable people as much, in general.

What Joan Williams argues is that one way women can overcome this is by practicing balancing our fierce and tender sides. So when you promote yourself, you maybe say, "Yes, I have had this great accomplishment; these are my successes," which is needed to get a salary raise. But then you combine

it with something very personal, maybe praising someone else at work: "This other person did such a great job as well." If we're just too tender at work without any fierceness, people won't think we're good at what we do. But if we're too good at what we do without being tender, people won't like us. And so, yes, it's practical. It makes sense. But in a way, it's just kind of heartbreaking that we have to do this.

Men don't have to worry about balancing their fierce and tender sides at work. They can be strong. They can be angry. People like them for it. They think they're competent. Men don't have to use part of their working memory space to always be thinking, "How are people judging me?" or "Was that too assertive?" And women do. It's sad, but it's true. For a woman, that's why tender self-compassion is good. We need to honor the pain of it. We need to honor the pain that we can't really be our full, true selves at work. We have to constantly manage these gender-role expectations.

One of my hopes for this book is that more and more women really learn to own both their fierce and their tender sides and are able to express them more authentically. And maybe—eventually, in our granddaughters' generation—they won't have to worry so much about consciously battling gender-role stereotypes.

Bringing balance to the workplace

Are there lessons for men and organizations here?
The book is written for women, primarily, to help them honor their fierceness and bring it into balance with their tenderness, even though that goes contrary to gender-role socialization. So it's especially helpful for women. But the idea of balancing fierceness and tenderness is useful for all people, regardless of your gender identity. And it's especially useful in work contexts.
You can also call it "agency" and "communion"— in other words, the kind of go-getter mindset, conquer-things mindset, with the accepting, friendly, more emotionally sensitive mindset. We know from the research that balancing those is good for all people. For instance, leaders who can combine both—who can show emotional sensitivity, emotional intelligence, in the workplace in addition to being very strong and competent—are considered more effective leaders.

People like leaders who can balance the fierceness and tenderness more. So when you can be honest about, for instance, dealing productively with your failure instead of just beating yourself up and shaming yourself for your failure, if you can be vulnerable and open to that failure, that's actually going to allow you to learn and grow from your failure.

‘We need to honor the pain that [women] can't really be our full, true selves at work. We have to constantly manage these gender-role expectations.’

The balance of fierceness and tenderness is good for everyone in the workplace. Research shows that people who can be their whole selves in the workplace and treat themselves with kindness and support are less stressed on the job. They're less likely to suffer burnout. There are lower levels of turnover, for instance. People are more productive.

These two sides of our nature are really important for all people. And they are important in any context—whether it's due to just the culture of work and business or gender-role socialization in particular—that makes us only half human, that doesn't allow us to draw on every side of us. That includes the strength that comes from emotional tenderness and vulnerability and kindness and also the strength that comes from this fierce, competent, powerful—as I like to call it, "mama bear"—energy.

One of the reasons I think this book would be useful for anyone is because I have a lot of practices in it. And these practices are relevant for anyone, whether you're a man or a woman, whether you're a leader, whether you're an employee. It's really about being the most complete and effective human being we can be.

Kristin Neff is an associate professor of educational psychology at the University of Texas at Austin. **Raju Narisetti** is the director of McKinsey Global Publishing, based in McKinsey's New York office.
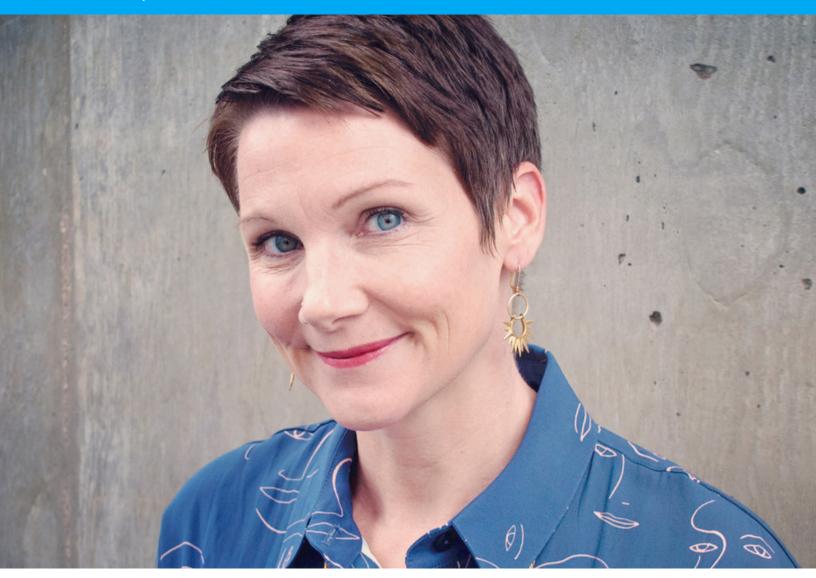
Photo by Patri Hadad

Poet Maggie Smith on loss, creativity, and change

In her latest book, Maggie Smith writes about new beginnings as opportunities for transformation.

McKinsey Global Publishing's director Raju Narisetti chatted with poet Maggie Smith about the messages leaders can take from her latest book, Keep Moving (Simon & Schuster, 2020). In her collection of poems and essays, the bestselling author celebrates the beauty and strength on the other side of loss. An edited version of the conversation follows.

How can leaders be authoritative while maintaining a beginner's sense of openness and curiosity?
It's funny. I think being a parent, in some ways, has prepared me for this duality. Because I would argue it's a balance and that it's important, even as an authority—whether it's with your children, or in your workplace, or both. It's important to maintain beginner's mind and openness as much as possible, even as you rely on your experience and your authority.

I think we've all probably been in workplaces where someone has said, "But that's the way we've always done it," as an excuse not to make a change, when a change was probably necessary or would be helpful. And it makes sense. Because change is uncomfortable, right? We often resist it, because it's uncomfortable. And, frankly, uncertainty, not having all the answers, is uncomfortable. It feels so much better to be confident when you know everything. But we don't. And in a professional setting, it's important to value expertise and

experience. But it's also important to value adaptability and flexibility and innovation and imagination and all of those things that make us able to change our minds, maybe, and take in and process new information without relying on the way we've always done it.

Think like a kid

How can people be more creative in their daily lives?
In the arts and in our professional lives and in our personal lives, newness, innovation only happens through experimentation and play. You can't get to it without trying something and maybe falling flat on your face. You have to be willing to fail. And so I think part of what we need to do, as adults, is learn to be more like children in that we're willing to try things and not worry so much about our egos, not worry about failing, and thinking that that's going to reflect poorly upon us.

In order to have or make any breakthrough— personal or professional—we have to put ourselves out on a limb. And it won't always work, and that's OK. One of the ways that I've kept myself from getting too stodgy about things is by trying to spend time with young people and glean as much as I can from their open and curious worldview. But I also think there are other ways to access that. And part of it is finding things that bring us joy and

'In order to have or make any breakthrough—personal or professional—we have to put ourselves out on a limb.'

making room to do those things in our daily lives, whether it's reading, or meditation, or running, or dancing. Whatever the thing is that makes you feel alive, I think we need to carve out space for that. Because it will help us get to that mindset.

What problem are you trying to solve with this book?
I think the problem I was trying to solve was a problem of my own, so not a problem for the reader, so to speak, but a problem in my own life. As I began the project, I was writing notes to self every day, these sort of self-pep talks, and posting them.

And the problem I was facing was really a problem of perspective, which is, what do I do now? How do I keep moving forward in my life? How do I face the future with courage and positivity, even though things seem really dark and difficult right now?

It was the end of my marriage. I was trying to regroup. And so I was writing for myself. The strange thing that happened was that, then, people responded. And my hope is that, now that the book is out, I've been seeing people say that they are buying it for their friends. And they're buying it for their staff or their neighbors. My hope is that it might find someone who had the problem I had when I wrote it, which is to say, they don't know what's coming next for them. And maybe they're feeling fearful or insecure or worried. Maybe the book will provide some reassurance or comfort or a little shot of hope when they need it. And frankly, I think we all need that right now.

What surprised you most about writing this book?
I think the level of response to the book has been really surprising to me, because it started out as a project that was literal self-help. I wrote the book to help myself. So, to have so many people responding to it has been really surprising. Also, I

did not know, when I was writing this book, that it would be released during a global pandemic. And what I've been hearing from people, again and again, is how the book feels just right for this moment, which I could not have anticipated.

But indeed, I think we are all facing our own "what-now" life crises right now, whether it's work-related or family-related or health-related, due, in large part, to the pandemic. And so the book coming out this year, honestly, feels like just the right time and not something I could have or would have planned for.

The pandemic time warp

What is the most interesting thing you've learned from somebody else's book recently?
I am rereading a book called *The Order of Time* by Carlo Rovelli. I wanted to return to this book, because it's about time. And this year, because of the pandemic, I think we have, at least I have, a feeling that time's gotten distorted, because of all of this time that we have alone. And so I went back to this book.

In a certain section, he's talking about heat, which he calls, "the microscopic agitation of molecules." I love that, as a phrase. And he writes, "Every time a difference is manifested between the past and the future, heat is involved," which blows my mind. "Thoughts, for instance, unfold from the past to the future, not vice versa. And in fact, thinking produces heat in our heads." I love that.

Speaking of the concept of time, what does the future mean to you?
I wrote a poem that appears in my last book, *Good Bones*, about how the future is empty. It was inspired by a question that my daughter, Violet, asked me in the car when she was three years old. And her question was, "What is the future?" The poem is called "Future."

Everything that hasn't happened yet.

The future is tomorrow and next year and when you're old but also in a minute or two, when I'm through answering.

The future is nothing I imagined as a child, no jetpacks, no conveyor-belt sidewalks, no bell-jarred cities at the bottom of the sea.

The trick of the future is that it's empty, a cup before you pour the water.

The future is a waiting cup. And for all it knows, you'll fill it with milk instead.

You're thirsty.

Every minute carries you forward, conveys you into a space you fill. I mean, the future will be full of you.

It's one step beyond the step you're taking now, what you'll say next, until you say it.

Maggie Smith is a poet and freelance writer based in Ohio. **Raju Narisetti** is the director of McKinsey Global Publishing, based in McKinsey's New York office.

Denise Woods on the power of voice

In her new book, voice and dialect coach Denise Woods offers tools to help readers articulate clearly, become powerful public speakers, and gain confidence in any situation.

In a discussion with McKinsey Global Publishing's Diane Brady, Denise Woods, one of the nation's most sought-after voice and dialect coaches, laid out some advice on becoming a compelling speaker. In her new book, *The Power of Voice: A Guide to Making Yourself Heard* (HarperCollins Publishers, January 2021), Woods shares the secrets, tips, lessons, and stories that have helped Hollywood's biggest stars become confident, effective communicators. An edited version of the conversation follows.

What holds people back from being effective speakers?

The biggest mistake that people make is that they don't breathe. Something very, very simple. You think you're breathing, but you're not. We get the thought, and then we speak, but that's not what we're supposed to do. We get the thought, *then* we breathe, then we speak.

Because breath is to a voice what gasoline is to a car. If you have no gas in your car, your car goes nowhere. The same thing holds true for the voice. If you don't breathe, you have no voice. Vocal variety and vocal color is the difference between having a box of crayons with 64 crayons or eight crayons. Wouldn't you rather have five shades of green than one green crayon? So, I say the same thing about voice. As you breathe more deeply into your center, and go deep into that emotional wellspring, you will find that all sorts of things—the good, the bad, the wonderful aspects of who we are—start to color your voice, inform your voice, and, ultimately, make your voice more interesting.

Particularly for women, either in corporate America or Hollywood, it's important that we relax and connect the voice to the breath. A lot of times we're not relaxed because we feel we have to go in and prove ourselves.

Make your voice heard

How do we avoid being stereotyped because of how we speak? Words like "articulate" can be an insult.

The word "articulate," in and of itself, is not a bad word. It's actually quite a lovely word. It's what we've attached to it: as a society, no matter where we're from, we have a tendency in the human condition to make ourselves better at the expense of others, which is called prejudice.

Being articulate is lovely. It's just the presupposition that everybody else not like you is not articulate. And that's where we run into problems in society, not just as African Americans, or culturally, but in terms of gender as well.

We need a paradigm shift. And I think the paradigm shift starts in Hollywood. I think the paradigm shift starts in journalism, in the media. The stories we see in film and television, the stories we hear on the evening news—the producers of these stories need to be conscious of the narrative so that it becomes more inclusive. We then see strong women as the norm. We see articulate people—be they Asian, Latinx, or African American—as the norm, so it then becomes a thing of the past to single out a strong, Black woman who's articulate. It's the norm.

What impact has the pandemic had on our voices?

In this new age of being masked—either literally being behind a mask or behind a virtual mask on Zoom calls—we now have to use our voices more liberally than ever. In the past, we had physical cues, we had body language, we had gestures. We had all kinds of cues that would let the listener know what we were saying. I'm in a box right now because I'm behind a mask. Typically, when I go

'Working on your voice is also working on your posture, on your delivery, on how you perceive yourself, on everything. It gives you confidence.'

out, I'm in a mask, in sunglasses, and I usually have a cap on, so you can't see any of my face. What we have to rely on are our voices. At this point, it's all we have. It's all we have to really show the fullness of who we are.

Good vibrations

What message do you want people to take away from this book?
Working on your voice is also working on your posture, on your delivery, on how you perceive yourself, on everything. It gives you confidence. Voices are like fingerprints; no two voices are the same. This work shows you how to bring your full essence to your voice so that you can be heard, so that you can be respected, so that you can be appreciated for being the unique person that you are.

A lot of times, we've thought, "Oh well, that's for people who use their voices for a living. Oh, that's for the actors. Oh, they sound stagey or they sound theatrical." I'm encouraging everybody to find the
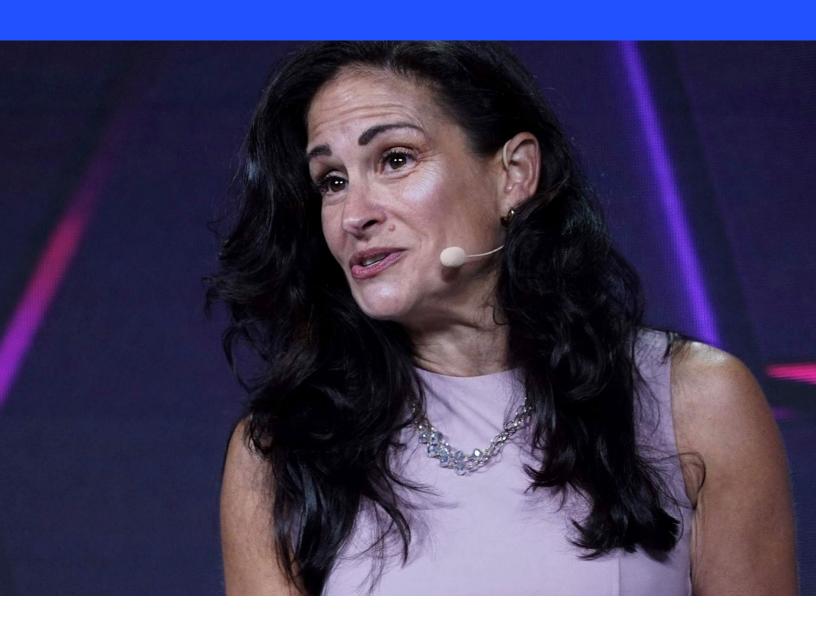
theatricality, to find the fun, to find the depth of utilizing their voice.

It's an instrument. It would be tantamount to having a guitar and only being able to play one song on it. That would be a travesty. What I'm saying is, use this instrument that you've been gifted with. There are some voices that are inherently more beautiful than others; not everyone will sound like James Earl Jones. But we all have our own personal instrument that has depth, and beauty, and resonance that we can tap into, that will leave an indelible impression.

Vibration. That's all voice is. You want people to feel your vibration. You want people to see your vibration. You want people to hear your voice. And if anything is in your voice or your speech that detracts from the story, that becomes a distraction, then [you should] address it. But I don't think where you come from, a wonderful lilt of the dialect that you naturally have, is a distraction because that's a part of who you are. That's your voiceprint, and it should be honored, and it should be respected, and ultimately, loved.

Denise Woods is a voice and dialect coach, a former faculty member of the Juilliard School, and a long-time faculty member of California Institute of the Arts. **Diane Brady** is a senior editor in McKinsey's New York office.

Susan McPherson on building meaningful relationships—in business and in life

In a new book, Susan McPherson offers a road map to unlocking a more meaningful life and enduring relationships.

In a conversation with **Raju Narisetti,** director of McKinsey Global Publishing, Susan McPherson discussed her new book, *The Lost Art of Connecting: The* Gather, Ask, Do *Method for Building Meaningful Business Relationships* (McGraw-Hill, March 2021). The expert on corporate social responsibility offers practical steps to build real and meaningful networking contacts by tapping into humanity and learning to be more intentional and authentic. An edited version of the conversation follows.

What problem were you trying to solve with this book?
I'm super happy with books on networking. We all need to network. But what I started to see over the last several years was this overreliance on technology, as well as our desire for clicks, likes, and numbers of followers growing, which I felt missed the importance of building deeply meaningful personal relationships that span the test of time.

Disconnected in a connected world

What surprised you most about writing this book—in the research or writing?
There were many aha moments, many surprises during the researching and interviewing of those I call "characters" for the book. And I have to say, the connection between health and our meaningful, deep connections was surprising. You actually live longer if you have deeply personal, long-standing relationships.

Honestly, if readers were to say, "I just want to get more numbers on Twitter," it may not be the best book for them. However, I think by the time they are halfway through, they will see the magic that actually happens when you build deeply meaningful relationships—whether it's having a Rolodex of experts to tap into when you are looking for your next job, or looking for where to go next on a trip, or perhaps looking for a nonprofit that you want to get involved in. It's a lot easier to do that when you have positive, deep relationships rather than just contacts on social media.

'I have found that when you are more vulnerable and more open, other people are more open, which creates a much richer dynamic to help make the workplace a better place.'

**Is a "my work is my life; my life is my work"
philosophy really for everyone?**
I certainly don't believe that every person has to
always be "on." That is certainly not what I'm
suggesting. I have just found—probably since the
mid '90s, once email came into our personal and
professional lives—that there really was no longer
that delineation between your "work self" and your
"home self." So instead of running from it and hiding
from it, let's just be our real selves. I have found that
when you are more vulnerable and more open, other
people are more open, which creates a much richer
dynamic to help make the workplace a better place.

I'm not suggesting that we spill all of our personal
lives to our professional colleagues. And I realize
that if you're not happy in your job, it's very, very
hard to want to be part of your job. But I have found
the work that I do, personally working in social
impact, to be so enriching that the people around
me are almost all working within some semblance of
social impact. So it has created a very rich and
rewarding environment.

Look within first

**How does the gather phase help unlock
self-discovery?**
The book is divided into three components: the
gather phase, the ask phase, and the do phase.

The gather phase—much of it—is looking inside and
determining several things. What is the community
you want to build around yourself? What are you
hoping to accomplish? What would you like to see in
one year, three years, five years down the road in
terms of the people who are surrounding you?
Answering these questions will also help you
understand what your desires are, what you bring to
the table.

One of the themes through the book is this notion
of, how can I help? How can I be of better service to
others? And I have to say, before you can do that,

you have to understand the gifts you have. But I will,
with 100 percent certainty, state that every single
person has something to offer—no matter who they
are.

**Is there practical advice for doing research on
a person you want to network with?**
The ask-phase portion of the book actually helps
you ask the right question so that you can have a
meaningful conversation. And there's even, in one
of the chapters, the seven questions to ask that
can elicit meaningful responses. And the beautiful
thing is, for young and old today, we have so many
resources at our fingertips before we meet
someone to find out so much about them—for
good *and* bad. The element of surprise is almost
gone. But if there is somebody you know you are
going to see or meet at an event, whether it's a
virtual event or an in-person event, you can go to
LinkedIn, you can go to Twitter, you can go to
Instagram, and you can find out so much about that
person. So when it does come time to actually
speak, you already have so much information in
your toolbox.

But I would try to get away from the conversations
like, "What's the weather like?" or "What did you
have for lunch?" Instead ask questions like, "When
this pandemic ends, where in the world do you
want to go?" or "What has been most challenging
for you over the last 12 months?" or "Is there
anything that you feel could be helpful to get you
through the next few months before we can come
back into reality?"

One fun tip from the book that I love to talk about is
that we all have FOMO [fear of missing out]. We had
it as soon as social media started. In fact, I think I
had FOMO long before social media, when I knew
there was a party going on, and I wasn't invited. But
now, we see in 24 hours all of the events that are
happening that somehow we didn't get an
invitation to.

'We all have FOMO. We had it as soon as social media started. ... But I decided that I am going to create "JOMO." And instead of joy of missing out, which is what people immediately think of when they hear JOMO, it is the joy of meeting others.'

When this phenomenon first started, I decided that I am going to create "JOMO." And instead of joy of missing out, which is what people immediately think of when they hear JOMO, it is the joy of meeting others.

Create your own gathering—and that gathering can be virtual. I just hosted a book talk last night and had 25 people join. And I did that myself, just inviting people. But it doesn't have to be 25 people. You can do it with four people. Get together and have a conversation about anything under the sun. But the point is, if you're the convener, you're not being invited. You're doing the inviting. So think of it as the joy of meeting others.

Susan McPherson is the founder and CEO of McPherson Strategies. **Raju Narisetti** is the director of McKinsey Global Publishing, based in McKinsey's New York office.

Fred Dust on making conversations count

In his new book, Fred Dust reveals ways to navigate difficult conversations and communicate more empathetically.

McKinsey Global Publishing's Raju Narisetti chatted with Fred Dust, former senior partner and global managing director at the design-thinking firm IDEO. In his latest book, *Making Conversation* (HarperCollins, 2020), the leading voice and practitioner of human-centered design and networked innovation outlines the elements essential for successful exchanges. An edited version of the interview follows.

What problem are you trying to solve with this book?

The global, local, corporate, and familial inability to successfully navigate hard conversations. I thought, by the way, I'd find answers in the spectacular or far-flung—Japanese tea ceremonies or pilgrimages—but in the end many of the most remarkable and transformational anecdotes come from seemingly mundane circumstances. Sometimes it's as simple as taking a deep breath before talking to an angry neighbor or noticing the change that occurs immediately after talking about a movie you've seen with friends.

What surprised you most about writing this book—the research, writing, or early response?

My first and biggest surprise was that when I sold the book to HarperCollins, my editor took me to a fancy lunch to celebrate, and as we're sitting over sushi she said, "Oh, by the way, the book has to be relentlessly hopeful and optimistic about conversations." Up until then, it had been, really, a book about how we got bad at them. That requirement added about a year to my writing.

Conversations in the next normal

In a year when everything went virtual, your book also offers practical lessons on designing conversations to drive impact. Talk about how to achieve that when we all have conference-call fatigue, and and when the connections that can happen in face-to-face events are absent.

I've been running virtual conversations, convenings, and serious strategy discussions since March 1, and they've been, on the whole, human, humane, joyful—even fun. But one of the first things I'd recommend is throwing out the old rule book you might have and rewriting the rules of conversations. They do not have to happen via Zoom; it can be a one-on-one phone call, working together on a Google doc. Think of conversations as asynchronous: break up a 90-minute call into three 30-minute calls over three days.

Maybe most important, design in the things that get designed out through technology—mostly the human. Ditch the backdrop in favor of real life—I've had CEOs telling me they finally see their people and, likewise, their employees saying that their boss feels more human. Add in a surprise, a bit of suspense; ask people to tell a short story about who they were at 12. Just a little bit of human can take us a long way.

There is no C-suite playbook for having hard conversations, which were never easy inside organizations even in a nonvirtual world. What are some useful lessons from this book about having those conversations in this increasingly virtual world that businesses are operating in?

In that case, it's good that I just told you to throw rules away. You know, there isn't a manual, but there are a lot of implicit rules, and that, frankly, is more damaging than if there was a playbook.

Maybe one of the most basic ideas in the book is to set and reset the rules of conversation. By doing so, you shift to rule sets appropriate for the work to be done. For instance, the rules for brainstorming are not the rules for critiquing, *and you need rules for both of them*. So many people hate brainstorming, for instance, but if you look back at the original rules of brainstorming, written in the 1940s, they're shorter—only four—they're better explained, and they're explicit that there will be a time for critique after the brainstorming hour is over. A lot more people would buy into brainstorms if the rules were that clear and good.

'Ditch the backdrop in favor of real life.… Add in a surprise, a bit of suspense; ask people to tell a short story about who they were at 12. Just a little bit of human can take us a long way.'

In truth, as I've been lecturing and doing interviews, I've found that the approach I outline in the book is as relevant—even more so—in a virtual-conversation space.

The art of bridging individual experiences

As we look ahead to a new administration in America, there is a lot of talk about a new president needing to build bridges and unite a fairly divided and polarized country. What in your book can help with doing that at scale, and how—beyond televised appeals?
Healing and mourning go hand in hand, and we have a lot of mourning to do in this country and in the world. Part of this book came out of attending one of

Joe Biden's briefing sessions post–Sandy Hook.[1] Say what you will about those briefings, the hearings were the last time *our government* forced us to hold a prolonged space—weeks, even months—for mourning on this topic. In that gap, we've had to do it through tears and protests; we need that kind of help again.

---

[1] On December 14, 2012, 26 people, including very young children, were shot and killed at Sandy Hook Elementary School in Newtown, Connecticut.

Fred Dust, based in New York City, is a designer, author, educator, consultant, trustee, and adviser to social and business leaders. **Raju Narisetti** is the director of McKinsey Global Publishing, based in McKinsey's New York office.

Photo by Patricia Roseman

Karin M. Reed on virtual meetings

In her new book, Karin M. Reed dives into our sudden shift to virtual meetings—and how to make the most of them.

McKinsey's Justine Jablonska chatted with video communications expert Karin M. Reed about her book, *Suddenly Virtual: Making Remote Meetings Work* (Wiley, 2021). The Emmy-award-winning broadcast journalist and CEO of Speaker Dynamics compiled her expertise with coauthor Joseph Allen's data into an engaging and practical guide about how to both lead and participate in virtual meetings. An edited version of the conversation follows.

What problem are you hoping to solve with this book?

Initially, when the pandemic hit, everybody took emergency action in order to move business forward. So they grabbed whatever tools they could to work remote from home, to get business done.

And it might not have necessarily been the thing that worked best; it was just the thing that worked. A year into the pandemic, people are starting to be a bit more strategic in how they're using those tools and what kind of tools they want to use. Our book is designed to be a practical guide: data-based insights coupled with real-world application—best practices that are based in science.

Efficiency is key

Can you share best practices around video meetings?

A lot of best practices for making meetings really effective seem like common sense, but they're uncommonly practiced. And a lot of those bad habits are exacerbated in a virtual setting. Video calls don't need to happen if they are simply a matter of checking a point or a quick information share. But we're missing out on those conversations when you poke your head into somebody's office and say, "Hey, a quick follow-up on that."

There's also a matter of understanding about the best way to use video and virtual meetings. The most effective ones are shorter and purpose-driven.

So rather than an agenda of ten items, think about an agenda of two items, and get into that meeting and get stuff done. Chop things up so that you have a 20-minute meeting, as opposed to a two-hour meeting, because you have to understand the limits of endurance and attention span in this environment.

It's also important to determine who should be in the meeting. The sweet spot for any productive discussion that needs to lead to a decision is five to seven people. And that is any meeting, whatsoever. If you have more than seven people in a virtual meeting and you're trying to have a productive dialogue, it's very unwieldy.

What are some practical tips for video-meeting participants?

One of the mistakes that I see people make is they ignore how they show up whenever they are speaking on webcam. And there are a couple of things that you should definitely be attending to. It's not a matter of vanity. It's a matter of being respectful of your conversation partner. If your face is in shadow or your audio is really crackly, it's the equivalent of forcing somebody to have a phone call with you when the connection is bad.

You want to make sure that you can communicate effectively in full. First of all, ensure that your background is uncluttered and nondistracting. Make sure that you don't have anything behind you that would reveal something about you that you wouldn't want revealed, but also that could potentially pull focus. Anything that distracts will detract from your message.

The second thing I would focus on is lighting your face. Facial expressions are so critical in conveying your message, so make sure that people can easily read them.

The third thing I would consider is your audio. Record yourself on a video call so you can hear how your audio sounds, or hop on a call with a

'It's a matter of being respectful of your conversation partner. If your face is in shadow or your audio is really crackly, it's the equivalent of forcing somebody to have a phone call with you when the connection is bad.'

trusted colleague or friend who will tell you how you sound. Don't just rely on the built-in microphone on your laptop. Oftentimes, they don't have clear audio fidelity.

Consider your camera position: you want your camera at eye level. A lot of times, people are using the webcam that's embedded in their laptop, and they keep it down on their desk or down on the table, and they appear to be looking down. Whenever you look down, it's like you're looking down on the person you're having the conversation with. We would never do that in a face-to-face conversation. You don't want to do that in a virtual setting. If you're using a laptop, elevate it. Put it on a stack of books or on a box. If you have an external webcam, stick it on a tripod, and then you can adjust the height based on what works in your space. And then ensure that you are squarely framed, meaning that you have a little bit of space between the top of your head and on either side of your shoulders.

Why is eye contact important during virtual meetings?
This is always a challenge for people in a virtual setting. If you want to speak with impact, you need to be looking primarily at the camera lens. Now this

will go against every natural impulse that you have, because the majority of us want to make eye contact with our conversation partners. And typically, they're on the screen. But guess what? The camera is not embedded in the screen, so you need to actually look at the camera lens, or else you'll look like you're looking down or looking in a place that is not into the eyes of your conversation partner.

As the speaker, you spend less time looking at the listener than the listener does looking at the speaker. You want to interact with the camera as if you are with a person face-to-face. So primarily you're pouring energy through the camera lens, but you are not staring into it.

Engage with participants

What's your advice for virtual-meeting leaders?
Proactive facilitation is critical in any virtual meeting because there's a lot of stilted and stunted conversation. People don't know when it's their turn to talk. I advocate cold-calling with good intention, meaning call on people by name to let them know, "OK, you have the floor."

You can look for nonverbal cues that might indicate that somebody has something to say. If somebody leans toward the camera, that's usually an indication that they have something they want to add. If somebody unmutes themselves, I will say, "Hey, Justine, it looks like you have something to say." And maybe they say, "No, I don't have anything to say." But I'd rather have you err on that side than just have a period where nobody is responding and you don't engage in dialogue.

The chat feature is a great functionality for many platforms, especially if you have a larger meeting, or if you are dealing with a global team. We have to start rethinking what we consider to be participation. In a large video meeting, it can be really daunting to get the gumption to speak up. Folks might find it much easier to put their participation in the form of text. The challenge is for the leader to take a look at that chat and incorporate that into the verbal conversation.

What surprised you most throughout your research?
The genesis of the book came from a webinar that I did with my coauthor Dr. Joseph Allen, who is a meeting scientist. We were talking about the future of the modern meeting, postulating that three, five, ten years out, virtual meetings were going to become a big part of how we do business, and that video would be at their core.

That was the first week of March of 2020. Think about what happened the second week of March 2020. Everything went haywire. We were suddenly all on these video-collaboration platforms. The exponential adoption of video-collaboration tools was really surprising to me in terms of how quickly people said, "Yes, we need to use these."

Will virtual meetings stick around?
All trends indicate that we will be in a hybrid situation for the foreseeable future. Some folks are very anxious to come back to the brick-and-mortar office. Other folks are saying, "This remote work is really working for me."

You have to be able to figure out how to handle a hybrid meeting where you have three people in a co-located conference room here, three people in a co-located conference room there, and then five people joining on an individual webcam. And the challenge for the meeting leader is to figure out how to get everybody to talk to each other.

Karin M. Reed is an author, journalist, and CEO of Speaker Dynamics. **Justine Jablonska** is an editor in McKinsey's New York office.

Gillian Tett on looking at the world like an anthropologist

Gillian Tett, the *Financial Times* markets and finance columnist and US managing editor, presents a radically different strategy for making sense of the business world today: anthropology.

McKinsey's Raju Narisetti chatted with award-winning financial journalist and anthropology PhD Gillian Tett. In her new book, *Anthro-Vision: A New Way to See in Business and Life* (Simon & Schuster, June 2021), Tett explores how anthropologists get inside the minds of people to help them understand other cultures and appraise their own environment—from studying big-box warehouses to shedding light on practical questions such as why corporate projects fail and how companies sell products such as pet food. An edited excerpt of the conversation follows.

Why did you write this book?
I believe that so many of the mistakes that came out of the great financial crisis and so many of the other mistakes that have beset both companies and countries in recent years have occurred because of tunnel vision and a lack of lateral vision, or, as I call it, "anthro-vision."

When the pandemic hit in 2020, there was a lot of discussion about life postpandemic and building back better. And I believe passionately that to build back better, we don't just need policy debate or gazillions of dollars of stimulus or things like that.

We also need to change the way policy makers, business leaders, financiers, and executives actually think and look at the world around them. And, in a nutshell, people need to move from tunnel vision to lateral vision. The late 20th century was marked by a time when we created these fantastic

intellectual tools to navigate the world—such as economic models, corporate balance sheets, and big data sets.

And they are all brilliant and useful. Let me stress that. But they're limited. Because you can only use them effectively if you look at context—if you look at the wider environment and culture and issues such as those, particularly where that context is changing. And right now the context is changing. So I say we need to look beyond just narrow tunnel-vision models and actually try to look at the wider environment we're operating in.

Behavioral science can't be ignored

Why can't medicine alone stop pandemics?
The core message of the book is that social science and anthropology need to be combined with medical science, computer science, economic science to really create an effective new way of building back better and looking at the world. And what's happened with the pandemic is a classic example of that.

Because to fix the pandemic, you definitely need brilliant medical science. The geniuses who came out and collaborated on the vaccines did an incredible service to humanity. What we learned in the pandemic is that medicine alone doesn't work unless you also understand the social and cultural context and the incentives shaping people.

‘What we learned in the pandemic is that medicine alone doesn't work unless you also understand the social and cultural context and the incentives shaping people.'

Because you can have all the vaccines in the world, but if you can't persuade a population to take them, then you can't beat a pandemic. In the United Kingdom, Gus O'Donnell, the former head of the British Civil Service, lamented the fact that although the UK government had devised its policy on the back of medical science, it took a very long time for the United Kingdom to get ahead of the pandemic because it didn't look at the social-science component or how humans behave.

Or, to take a more positive example, if you look at why masks are so effective, one way to explain that is because the physical fabric stops germs. Another equally important way to explain it is because the act of putting on a mask is a powerful psychological prompt that reminds people to change their behavior. It's also a group's thinking device that tells people, other people and yourself, that you're adhering to civic norms. And that is incredibly important in a pandemic. Actually, we have known that from anthropology for a long time in Asia. If only Western leaders had not been so full of hubris and learned lessons from Asia earlier on, we probably could have beaten the pandemic a lot earlier.

When the COVID-19 pandemic started, there were social scientists and doctors who said, "We have to learn the lessons from Ebola as well as from SARS in Asia and apply them to how we devise pandemic policy in the West."

Now, in some cases, the lessons were learned the same way that New Yorkers were persuaded en masse to embrace masks, which was such a completely alien concept a year ago, particularly because in New York mask wearing wasn't imposed by rules or laws, as it was in other parts of the world, but instead by social norms.

But in other cases, the issues of social behavioral science were sadly ignored. And the inverse of New York's mask-wearing culture, which I do think has really helped to fight the pandemic, has been London, where the behavioral science was essentially ignored.

The communication went back and forth and back and forth in a completely confusing way. And you ended up with a population that was so grumpy, so angry, that you had a flare-up toward late 2020, which was very damaging indeed for Britain.

Why do bankers misread risk?
Well, I find the issue of high finance fascinating because I'm trained as a cultural anthropologist. I did a PhD out in the mountains of Hindu Kush, in Tajikistan, looking at Tajik wedding rituals, which seems like an exotic type of topic that is utterly unrelated to Wall Street and Washington and things such as that.

But when I actually moved on in my career and ended up running the financial-markets section for the *Financial Times*, I was stunned by the training in Tajik anthropology—a training that teaches you to look at everything and look at social silences, the parts of the world we don't talk about, but which are often expressed in rituals and symbols.

That's incredibly helpful for looking at bankers for several reasons. First, because financiers make the mistake of thinking that finance is all about money. And your algorithm and model can explain everything. The reality is that how money moves, what goes wrong with money, is also driven by all the social and cultural patterns that shape financiers who are operating as institutions.

Your average investment bank is as tribal as any other society across the Hindu Kush. And you have all the tribal patterns playing out, which people often ignore or prefer to conceal from themselves and from others. The other problem of course is that financiers become beset with tunnel vision when they try to imagine the world of money. And they don't see the end users in the chain of any financial innovation they create or even have a joined-up vision of how risks are building—they may be building in places they avert their eyes from.

The value of incidental information exchange

Do we still need offices?

There's a lot of debate right now about whether people actually need to be physically in an office to get their job done. As you look at that question, it's worth thinking about one sector where there has been a complete paradox for the past 20 years in relation to that question.

That is finance. Technically speaking, around the turn of the century, financiers could have done a lot of their work at home. Because if you have a Bloomberg machine and a high-speed internet connection, you can trade. You can do a lot of what you need to simply sitting in your office.

Yet, as an anthropologist named Daniel Burns has pointed out, at the very moment that all of these digital tools were coming onstream in the early years of the 21st century, banks on Wall Street and the City of London started building bigger and bigger trading floors to get more and more people into the office.

So if you ask why that was, it becomes clear that what people are doing in offices is not just what they think they're doing, which is looking at a computer screen and trading in disembodied markets. They're also engaged in something that anthropologists call "incidental information exchange."

And that's the process by which teams or groups or departments that already know each other well bump into other teams, other sources of information, and really widen their vision and their gaze and their net on information, which enables them to do their jobs.

That leads to another point, which is what anthropologists call "sense making"—the idea that when we make decisions, we tell ourselves we're doing so on the basis of our wonderful linear rational thoughts or models, when we're actually absorbing information from our surroundings and environments and from other people the whole time, which means that we often collectively make decisions as a group.

The reason it's called sense making is because there's a classic story from anthropology of the Chuukese Polynesian sailors who essentially navigate vast distances across the sea, but not by using GPS and basically imposing a course on the environment to work out where you're going, which is what modern sailors do. They instead read the wind and the wave and the water. And they smell their environment and talk to each other, and collectively they plot a course by reacting to their environment.

So we all think in the office that we're acting like modern sailors with GPS. And we are to a degree. But we're also acting like Chuukese sailors, essentially reading our environments and plotting a course collectively that way. That's one reason that banks have big trading floors. Also, many people find that not being in the office robs them of something in terms of doing their jobs.

Adjust your lens for better vision

Should CEOs think like anthropologists?

My advice about how CEOs can embrace anthro-vision or lessons from anthropology really falls into three key buckets. First, musings from anthropology help you understand your customers much better and, above all else, do something that is, in some ways, the simplest thing in the world (but the hardest thing in the world to actually implement): recognize that other people don't think like you.

It's so easy if you are a CEO or an aspiring executive who spends all day basically in the office or working on a project to fall into the trap of assuming that other people have the same instincts and mentality as you. And it is so important in today's globalized world to recognize that this assumption is simply not true.

'There's this wonderful Chinese proverb that a fish can't see water. And it's very hard for us to see ourselves unless we step out of ourselves and look back afresh.'

It's important to learn to walk in someone else's shoes and see the world differently. That way you avoid risks, but you also see new opportunities all over the place. The second point is you need to use anthro-vision not just to look at your own customers, clients, or suppliers, but also to look inside your own organization and see all the things that are hidden in plain sight that are incredibly hard for insiders to see. There's this wonderful Chinese proverb that a fish can't see water. And it's very hard for us to see ourselves unless we step out of ourselves and look back afresh.

The third area where anthropology is sort of helpful is in terms of recognizing that these bounded tunnel-vision tools that we have used to navigate the world in recent decades, such as an economic model or a big data set or a corporate balance sheet, are wonderful, but they are also limited.

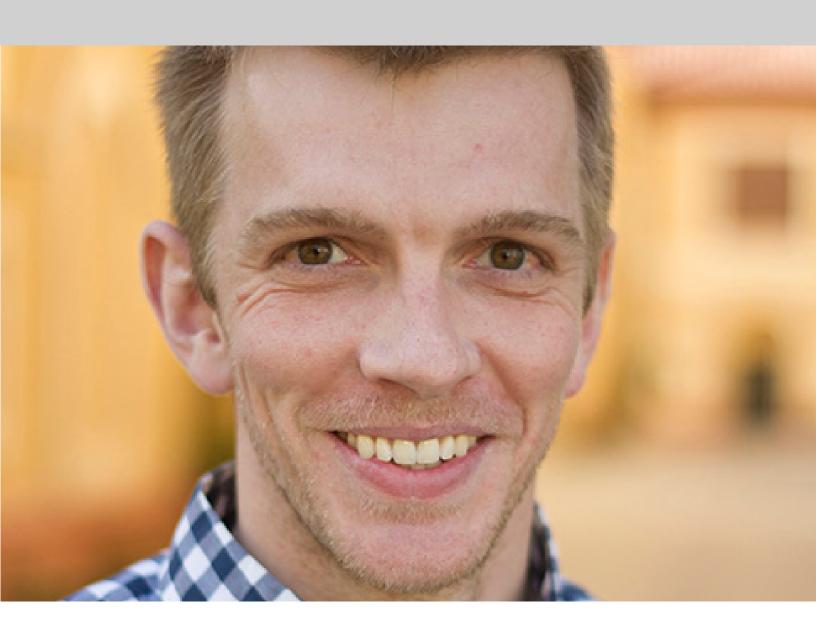It's becoming very clear that for a company, the corporate balance sheet isn't the be-all and end-all in terms of measuring the company. Because things that people used to consider as footnotes to the corporate accounts, such as diversity issues, actually impact the company.

As for big data, it is only as good as the data you put into a model. If the data are based on the recent past and the present, the predicted future may not be the same as the recent past when the context is changing.

So that three-part message is really at the core of what I think anthro-vision could offer: better understanding of other people outside of your company who are your customers and clients; better appreciation of what's happening inside your company; and a realization about how you as a company sit within a wider ecosystem, and why you have to widen that lens.

Gillian Tett is a markets and finance columnist and US managing editor at the *Financial Times*. **Raju Narisetti** is the director of McKinsey Global Publishing, based in McKinsey's New York office.

Angus Fletcher on the power of literature

In a new book, Angus Fletcher examines literary inventions through the ages to show how writers have created technical breakthroughs.

McKinsey Global Publishing's Raju Narisetti chatted with Angus Fletcher about his new book, *Wonderworks: The 25 Most Powerful Inventions in the History of Literature* (Simon & Schuster, March 2021). In the book, Fletcher—a practitioner of story science—reviews the blueprints for the most powerful developments in the history of literature and uses science to show how literature can alleviate a range of negative emotions while sparking creativity, courage, love, empathy, hope, joy, and positive change. An edited version of the conversation follows.

What made you want to write this book?
There's a crisis in the way that literature is taught. Students aren't engaged, and they don't want to take literature classes at higher levels. They choose, instead, to go into STEM [science, technology, engineering, and math] and other fields. Literature has always been one of the prime sources of creativity and innovation. The more that literature falls out of the curriculum, the less that students embrace it, the less that we have those drivers.

I wrote the book to explain that there's actually a different way—a more scientific way—to study literature. If we can start to introduce that different way of teaching literature in schools, I think we can start to bring back some of the powerful change that literature has produced in the past and can produce in our future. *Wonderworks* gives you the blueprints for using your favorite books and films and comic books and memoirs to get more courage, more curiosity, more healing, more growth, and more happiness from the day.

Why try and capture the impact of literature in an almost clinical way?
One of the things that neuroscience teaches us is that our brains are all different. All of us are going to have different responses to literature. In schools, literature is currently taught on a model that comes to us from the early 20th century and that establishes logic as the way that we read literature.

Everyone has had the experience of reading a literary work and mining it for themes or representations and being told that your own individual responses, the characters you like, the emotions you experience, the imaginations it sparks in your head, aren't what we're going to talk about in the class. What I want to talk about is how neuroscience allows a more diverse, more inclusive, and more student-centered approach to unlocking literature but in an environment where we can also talk about knowledge and wisdom and other things that aren't entirely subjective.

Literature heals

What surprised you most in researching this book?
I think the thing that surprised me is how much science and medicine there is backing the power of literature. We've all had the experience of reading a poem and feeling better, or reading a book and feeling less lonely. Literature can actually be therapeutic with trauma—multiple types of trauma. It can spark creativity, reduce stress and anxiety, promote personal growth, and there is neuroscience to back all these things. That was the thing that was most surprising to me.

On *The Godfather*:
A lot of people are surprised by the fact that I have Mario Puzo's *The Godfather* in the book. They're even more surprised by the way that I read it because I don't read it thematically. If we were to read it thematically, the way we're taught to read in school, we would say, "Oh, this is about being a gangster," or "This is about violence," and we should interpret it as a kind of sermon or message on being a gangster or on violence.

What I point out is that reading *The Godfather* actually has the neurological effect of making you less lonely and reducing the adverse effects of loneliness. Where does this come from? It comes from the fact that *The Godfather* is part of a tradition

'Literature can actually be therapeutic with trauma—multiple types of trauma. It can spark creativity, reduce stress and anxiety, promote personal growth, and there is neuroscience to back all these things.'

of literature that goes back to some of our earliest operas that used a technique from music to create a feeling of bonding to the writing. That bonding makes us feel less lonely. You can feel that operatic effect just in reading *The Godfather*. It feels like an opera. The overall take is that when you read literature, it's not about the themes. It's not about the arguments or what the literature seems to be saying, like we've all been taught in school. It's about the psychological effects, and those come from the actions that the work is making as opposed to the things that it's saying on the surface.

Is your approach taking some of the fun away?
The first thing I would say is, enjoy the literature. Have fun. I'm not trying to tell you that you have to experience literature this way. I'm not here to tell anyone that they have to do anything. I'm simply saying that there's an opportunity: if you want to get more out of literature, it can give it to you. The way you might think about it is the way you might think about a friendship. We all have friends that we just want to have fun with, but some of those friendships deepen into more meaningful friendships that can

change our lives in profound ways. This book is just about how to go beyond the fun into that emotional and psychological change, if you want to go there. If you just want to have fun, that's OK, too.

To binge or not to binge?

On *Stranger Things*, *Orange Is the New Black*, and binge watching:
One of the things that's happened with the development of TV and binge watching and these completely addictive shows, as we like to refer to them, is that we just can't stop ourselves watching them over and over again. People sometimes get concerned and say, "That might be bad for me. I might actually be addicted." The first thing I want to assure people is you cannot get addicted to literature. The neuroscience is clear about that. You can develop a strong desire or preference for literature, but you cannot get addicted to literature.

The other thing that's really interesting is a lot of the shows that we associate as binge-watching shows, they're great opportunities to form friendships. One

'What that means is that stories are not just wonderful for communication but they're also the way that we think, we plan, we plot. Those are the beginnings of innovation and creation.'

of the reasons you jump quickly to the next episode is because you're hungry for the story to continue. If you watch the episodes with other people, then the way you continue the story is by turning to them and having a conversation. That's why those binge-watching shows can be the source of real connections outside of the imaginary world of TV. That's why they can connect you to some of the most elusive people in your lives, including your family—all of those people you spend all your hours with but don't connect with maybe as deeply as you'd like. Sit down, watch an episode of *Stranger Things* or *Orange Is the New Black* with them, and see what conversations develop.

What's the value of storytelling to planning, strategizing, and even innovating?
Stories are the most powerful tools that we humans have ever invented. Every business plan, every new technology, every cultural or political movement gets started with a story about tomorrow. When we think about the power of stories, we often limit it to their powers of communication. We often say, "Oh, that's the way that I communicate my vision," or "That's the way that I convince people to go along with me." The reason that stories are so powerful as tools of communication is because that's actually the way that our brains think. That's one of the great breakthroughs of modern neuroscience—to realize that our brains are primarily narrative. The reason that stories are so powerful is that they plug into the action centers of our brain and literally move

us. What that means is that stories are not just wonderful for communication but they're also the way that we think, we plan, we plot. Those are the beginnings of innovation and creation. A lot of our focus is not on communication but on how we can develop new ways of strategizing, of planning, of pooling together our narrative abilities to change tomorrow.

Can literature make us better in business?
My advice to a businessperson would not be to read literature for its lessons. I mean, what do poets know about business? Why would you read a poet to figure out how to run your own 21st-century business? Instead, the reason to read literature is to stimulate the parts of your brain that you want to grow in your business. If you want to grow creativity in your business, it might be a good idea to hand out *The Cat in the Hat* or *Winnie the Pooh* to your employees. Simply reading those books would help nurture a culture of imagination. If you want to build products that promote growth or healing or creativity, you should look to books that grow those same qualities.

The other surprising lesson we can learn from literature is that our world is becoming increasingly dominated by AI [artificial intelligence] and by its decision making. Companies are looking more and more to computers to help them imagine the future. There are a couple of problems with that. The first is that AI cannot imagine the future. AI, because of

the way computers work, exists in a continuous mathematical present. It is not actually able to predict where things are going; only we humans can do that through our powers of narrative, through our powers of story.

The other problem with AI is that computers think in a way that is different from us. They think in terms of spatial patterns. That's why the more time you spend with computers and their data, the more your own mind starts to feel like it's slowly coming apart because it's basically a field, a web of information, and that's not how our brains think. Our brains think in simple actions. If you want to develop a single sense of purpose, there's nothing better that you can do than read the story of someone who shares that purpose. Someone who has the courage or the love or the empathy or the curiosity that you want to imitate in your own company. Find those stories, give those stories to the people in your company, and encourage those noncomputer, entirely human forms of life.

Angus Fletcher is a professor of story science with Ohio State University's Project Narrative. **Raju Narisetti** is the director of McKinsey Global Publishing, based in McKinsey's New York office.

Josh Linkner on how everyday people can become everyday innovators

In his new book, Josh Linkner offers a practical guide for turning ordinary ideas into extraordinary results.

McKinsey's Raju Narisetti chatted with Josh Linkner about his new book, *Big Little Breakthroughs* (Post Hill Press, April 2021). In the book, the founder and CEO of five tech companies— and professional-level jazz guitarist—discusses what holds us back from unlocking our creative prowess and provides an approach that leaders *and* everyday people can use to innovate for a better company, career, and life. An edited version of the conversation follows.

What problem are you trying to solve with this book?
Innovation, generally, is looked at as an exclusive club for a select few. We think of innovation as these giant product breakthroughs or that it only counts if it's a billion-dollar idea. And in that context, it's only people wearing a lab coat or a hoodie that get to be creative.

I set out to make a book that helps everyday people become everyday innovators. It's sort of like innovation for the rest of us. What I was trying to do is democratize creativity and innovation. And give people a practical toolkit, as well as some inspirational mindsets, so they can go on to unlock their own creative potential—ultimately, to achieve the outcomes that they care about the most.

Creativity takes courage

What is it that holds us back?
I saw a study that 72 percent of our gross domestic product here in the United States doesn't come from the breakthrough ideas that we see in the media; it comes from everyday innovation—people building their small businesses, say. I've researched human creativity now for a couple decades, and the research is crystal clear that all of us, and I mean all of us, have enormous reservoirs of dormant creative capacity. Your hardware is there, and so then the question is what's holding us back? There are a couple things. The biggest one is fear. Turns out that fear, not a lack of natural talent, is the biggest blocker of creativity.

Truthfully, fear and creativity cannot coexist. If there's fear in the room or in the building, your creativity is going to suffer. The best thing that we can do for ourselves and our teams is create a safe environment where all ideas are celebrated—the good, the bad, and the ugly—because sometimes it takes a bad idea to get to the good ones.

The other thing that's missing is more updated and modern technology. Here's what I mean. In 1958, there were a number of new technologies that came

'The best thing that we can do for ourselves and our teams is create a safe environment where all ideas are celebrated—the good, the bad, and the ugly—because sometimes it takes a bad idea to get to the good ones.'

onto the field. There was the Rolodex for keeping track of your contacts. There was magnetic tape for storage. And a technology came on the scene for idea extraction, called "brainstorming." Fast-forward to 2021. We can store the Library of Congress on a thumb drive. We use LinkedIn for our contacts. Yet we're still using the same outdated, ineffective technology for idea extraction, called brainstorming.

So over the past couple of decades, and certainly in the book, I share some very practical, fun, much more modern approaches, techniques, to bring our best ideas forward.

Tell us about your notion of role-storming.
Brainstorming is a great exercise to yield mediocre ideas. Role-storming is a simple technique that completely removes the fear. Here's how it works. Basically, everyone takes on the same real-world challenge that you were working on to begin with. But now each person chooses a character, and you're basically brainstorming in character.

So you might be playing the role of Steve Jobs. When you start brainstorming, nobody's going to criticize Steve for coming up with a big idea. They might criticize Steve for coming up with a small one. So now you, a.k.a. Steve, are liberated. You can say anything you want, with no fear of retribution. And I know it sounds a little playful, but all you need to do is pick. You can be a sports figure, you can be a movie star, a musician, a literary figure, a villain, and you pretend that you're that person. And I've just seen incredible transformations when this type of exercise has been deployed.

Embrace the innovative mindset

How do organizations go about turning this anticreative bias into something that can spur more creativity?
We need to talk about how we get those ideas out of people's brains. If you have a 10,000-person organization, how do you get everybody to be

creative? Unfortunately, so often it looks like this: there are 16 people that have permission to be creative, and all these other amazing people, who, by the way, we hired for their creativity, but then we shut it down and don't let them use it. So for leaders running organizations, frankly, of any size, I think it's one of the most important jobs—to create a systemized approach to cultivating and harnessing and deploying that resource.

If you had an organization and there was an oil well on the property, you'd do everything you could to extract that natural resource and deploy it for your growth. We have the proverbial oil well inside all of our people, and what a shame if we don't let them use it.

First of all, it's embracing the mindset of innovation. In the book, I cover eight core mindsets of everyday innovators. These are things that don't require years of study; they don't require millions of dollars of investment. But when we embrace these mindsets, it tends to unlock the creative capacity of the team.

The second thing I think is important to do is reinforce those mindsets with rituals and rewards. In other words, build it into the system. Take one organization—it's not a big company, it only has 50 people, but it has a ritual every Friday. The ritual is called "F-Up Fridays." The F-Up Friday ritual is they have a big brown-bag lunch, and they go around the room, and each person shares what they f'd up that week and what they learned from it. By the way, these f-ups are shared with pride, and people clap and cheer. They're not shunned or sent to corporate time out. When they get to someone that didn't f-up something, they're, like, "Well, why not? What are you going try next week?" And so this little ritual makes it safe and comfortable for people to take responsible risks, and, again, they sort of institutionalized that in their organization.

A much larger organization did something kind of cool. Any time an idea came in through their

'If you had an organization and there was an oil well on the property, you'd do everything you could to extract that natural resource and deploy it for your growth. We have the proverbial oil well inside all of our people, and what a shame if we don't let them use it.'

idea-capture system—company-wide, thousands of employees—here's what they did. They took these four-foot-tall glass jars and put them in their corporate headquarters. Any idea that came in, a white marble went into the jar. Any time an idea was embraced and was put into action, they put a red marble in the jar. And they filled up all these jars over the years, and it's in this high-visibility area. So when people walk past this hall—thousands of people a day—they see a whole sea of white with little specks of red, which becomes a visual cue that it takes a lot of white marbles to get to a red one, and they should keep those white ones coming because eventually they'll land on a red one.

So I think there's a lot of fun, practical ways that we can institutionalize, especially in larger organizations, the notion that creativity matters, that responsible risk taking is part of the job.

Let the sparks fly

What's the difference between an idea and a spark?
If you think of an idea as a molecule, what's inside the molecule? Stick it under the microscope and let's take a look. So I tried to look at the anatomy of an idea. And in fact, what I recommend people do is when you're just kicking around new ideas, don't even call them ideas, because an idea itself, in theory, is ready for scrutiny.

Instead, you should first generate ideas and think of them as a spark. It's like a little beginning of an idea; it's not a finished work product. And that's a much easier way to deal with it because if you're sharing a spark, you're not sort of getting behind it and endorsing it. You're just saying, "Hey, it's a possibility." And often it's the spark that leads to the spark that leads to the spark that becomes the great idea. Too often, people extinguish those sparks prematurely, without giving them the time and space to really breathe.

There's another little step in that process, called audition. So once you have a couple sparks that might merit some exploration, let's try them out. How can you quickly prototype this spark to see if it even deserves to be elevated to the next level of scrutiny? It's a fairly scientific approach to idea extraction and idea cultivation at sort of the molecular level.

What surprised you in researching the book?
The old model was that it's a right-brain, left-brain thing; your right brain's the creative one, your left brain is the suit-and-tie one. But what we've now learned, through incredible experiments—they literally put jazz musicians' brains in an MRI machine, and they sort of made it so the musicians could, using mirrors, still improvise. And they were really studying what's firing in the human brain when improvising, when coming up with creativity. And what they learned is that it's not actually a left-brain,

right-brain thing. It's more of an integrated thing, and there are different regions of the brain that work in concert with one another to create ideas.

And here's the one—just as a jazz guy—that blew my mind. When jazz musicians improvise, as opposed to just playing written music, that does light up. But more fascinating to me was there's another part of the brain that shuts down. It's the part of the brain that's like our filter, so we don't say the stupid thing that we regret later at the cocktail party. But, basically, jazz musicians have trained their brains to light up one section and almost shut down completely another section to allow them the freedom to take various risks.

It's funny—in jazz, if you play it safe, you get laughed off the stage. If you play a terrible note, just play it twice more and call it art. Everything is fine. But the notion that the brain is functioning in a much more integrated manner, to me, was supercool. And it

also deeply reinforced my core belief that there are seven billion people walking around on this planet with dormant creative capacity. Me included.

If I were to summarize it—the old face of innovation— who do we think of? We think of Elon Musk or Thomas Edison. But it's very difficult for most of us to really relate to them. It's hard to see ourselves in them. But when we see everyday people solving difficult problems in really creative ways, it's so inspiring because that means it's within the grasp of all of us. And, truly, it can be the great equalizer if we cultivate these skills and put them into practice.

Josh Linkner is an entrepreneur, keynote speaker, and author. **Raju Narisetti** is the director of McKinsey Global Publishing, based in McKinsey's New York office.

Photo by Evgenia Eliseeva

Tsedal Neeley on why remote work is here to stay—and how to get it right

In a new book, Tsedal Neeley details how organizations can build and lead a culture of trust and inclusivity in a remote-work environment.

McKinsey's Eleni Kostopoulos chatted with Tsedal Neeley, the Naylor Fitzhugh Professor of Business Administration at the Harvard Business School, about her book *Remote Work Revolution: Succeeding from Anywhere* (Harper Business, 2021). The award-winning scholar and expert on virtual and global work offers teams and managers a road map for navigating the enduring challenges of a virtual workforce. An edited version of the conversation follows.

What problem were you trying to solve with this book?

I started to work on this book project close to three years prior to the pandemic. It's been a topic that I've pursued for nearly 20 years because I was convinced that technology was going to change how we worked, how we connected, and how workforces would be arranged. But never in my wildest dreams did I imagine that the whole world would migrate to remote work, and never did I imagine that it would be in the midst of a pandemic. It pains me that this is how the virtualization of work has happened.

What are launches and relaunches, and why are they crucial to success?

Launches and relaunches have long been established by pioneering sociologists as the way to start a team in the most effective way. Richard Hackman was a Harvard sociologist who studied teams in all forms, in all contexts, for about 40 years and concluded that when you launch a team the right way—meaning you set it up— you are actually creating the conditions for that team to be effective. In fact, this will increase the likelihood of success for teams by 30 percent, which is significant.

The idea of relaunch is to make sure that we are realigned, focused on our shared goals, very clear about our capabilities, our contributions, our resources, and our constraints; that the norms we had established are still working for us, so that we can revise and update given the dynamic nature of all of our lives; and to ensure that there is

psychological safety, as my friend and colleague Amy Edmondson would say, in the work team. I recommend you do this every six to eight weeks or so in a remote team because it's so easy to get derailed when you're not co-located.

Building trust from a distance

How do you build trust remotely?

Trust is one of the most studied elements in virtual work. I'm talking about decades' worth of work to try to determine the answers to questions such as "How do we establish trust?" "How do we maintain trust?" "What does trust look like when we barely see people in person and don't have the opportunity to have the watercooler conversations and all the ways that we know we build trust?"

There are two types of trust. The first one is called cognitive trust, which is grounded in the belief and the understanding that others are dependable and have the competencies to be able to collaborate effectively on a common task. The second type of trust is called emotional trust. And it's grounded in the belief that others have care and concern for us.

Leaders and managers must ensure that they are developing emotional trust with the people that they're working with. People need to know that their managers and leaders care about them.

The cognitive trust you can almost confer right away. In virtual work, the term for this is actually swift trust—"Once I know you've got the qualifications to do the work, and once I know that you're dependable, that you're reliable, I will give you trust and we can get to work."

But emotional trust takes much longer to develop; it requires empathy, self-disclosure, and spending time with people, and it has this big temporal dimension. Time is really important for that second type of trust.

'The world has changed. We are using our home furniture. We are using our home Wi-Fi. We are participating in a professional environment from our homes. It only makes sense that organizations help facilitate that for us as we continue to serve people.'

One in four women are considering downshifting their careers or leaving the workforce. How should organizations respond?
It's incumbent upon organizations to find ways to retain women. It's a loss that's going to be incredibly difficult to undo. We already know that diversity is the challenge—and an issue and a concern for many organizations. We know this. So if people are struggling to meet their professional demands because of the challenges and the demands across other parts of their lives, then we need to take the gifts that remote work gives us, like flextime.

Some of the smart companies that I've had the pleasure of working with over the past 12 months have tried to truly understand the *whole* person. And what that means is they try to see what they can set up between certain hours of the day—when families with children, for example, have gap times. What activities can the companies actually put in place to help parents and families?

The world has changed. We are using our home furniture. We are using our home Wi-Fi. We are participating in a professional environment from our homes. It only makes sense that organizations help facilitate that for us as we continue to serve people.

From 'work from home' to 'work from anywhere'

Let's talk about the return to work. What's next? How do we get it right?
The first thing you want to do is survey your employees to truly understand their preferences in terms of how they want to see their work arrangements post-COVID-19—meaning do they want one or two days a week of remote work? Do they want remote work full time? Do they want nothing to do with remote work? What do they *really* want? And these surveys should be collected anonymously, so that we truly have a real picture of what people want.

Once you understand that, you want to develop a policy that looks at a hybrid model if you decide to move in a direction that includes remote work and in-person work. Ask, "What does that look like for us given the critical tasks that we need to accomplish

in our organization, given our stakeholders, and given the kind of rhythm—the cadence of work—that we want to achieve?"

For some it's giving people full freedom: "You can come in and out based on the work that we do." For some, "we actually want people in on these specific two days a week to ensure that we have co-located times." For others, it's "work for two weeks remotely and then come in for two weeks."

You'll also need to articulate your revised cultural norms. The culture of your organization has newly changed, so "What are our cultural norms?"—meaning "What are the appropriate behaviors that we want to espouse to maintain the type of culture that is right for us?"

Then, of course, you want to make sure that you're upskilling your entire workforce on remote work and digital-mindset competencies. And in many instances, depending on your size, you may want to consider adding the role of a chief remote officer to the C-suite to ensure that there's oversight across the entire workforce on systems, structures,

processes, culture, people, and training and that all of these pieces are not only aligned but part of the executives' level of work.

Was there anything that surprised you in writing the book, in the research or response?
I would say that I was reminded about how disciplined we have to be in ensuring that our work and nonwork lives are not blurring to the extent that our well-being is under attack and to ensure that we're disciplined and thoughtful about the digital tools that we're using to do work—as opposed to ad hoc decisions on whether this is a synchronous conversation or an asynchronous conversation, whether we're using lean or rich media—in order to not only avoid tech exhaustion but also to work smart.

In some instances, we need to capture, store, and reuse our communication events. If we use the phone when in fact we want to capture, store, and reuse whatever we're working on, we should make different digital choices.

Leaders have to be disciplined. You don't want to confuse people by saying, "We care about your

'Leaders have to be disciplined. You don't want to confuse people by saying, "We care about your well-being," but then send emails at all hours of the night and weekend without making clear: "Please, don't respond until Monday morning." That's confusing. That's mixed signals.'

well-being," but then send emails at all hours of the night and weekend without making clear: "Please, don't respond until Monday morning." That's confusing. That's mixed signals. The discipline part is incredibly important.

How does remote work make an impact on an organization's culture?
Many people are concerned about the change that remote work might bring to their culture. But the reality is that change has already happened by the sheer fact that we are now operating remotely. And culture means asking, "What are our shared values?" and "What are our shared norms?"— meaning "What are the appropriate behaviors and attitudes that we espouse in our organization?"

Remote work and virtuality have shifted our norms of working and what's appropriate: How do we make decisions? How do we connect? How do we problem-solve? It's shifted all of that. So the culture has already changed, and the thing to do now is think about how you will revise or update your culture so that people can thrive in a remote environment and adapt to this new world.

Holding on to what was before is how people are going to get in trouble. We need to be forward-thinking, embrace the things that we love, change the things that we don't, and accept the fact that our cultures as we know them have changed forever.

Tsedal Neeley is the Naylor Fitzhugh Professor of Business Administration at the Harvard Business School. **Eleni Kostopoulos**, a digital publishing manager, is based in McKinsey's New York office.

Deanna Mulligan on smart skill building

The former chair and CEO of Guardian Insurance offers a theory of change for those hiring, retaining, and retraining the next generation of tech-savvy employees.

McKinsey's Roberta Fusaro chatted with business leader Deanna Mulligan about her book, *Hire Purpose: How Smart Companies Can Close the Skills Gap* (Columbia University Press, 2020). The former chair and CEO of Guardian Insurance distilled her research and conversations with leaders in the field into a playbook for readers seeking to understand how to react to trends in digitization, the gig economy, hiring, and education. An edited version of the conversation follows.

What problem were you hoping to solve with this book?
The problem I was trying to solve is a big societal issue—that is, the digitization of everything. That and the ability to work from anywhere are creating a need for companies to reskill and retrain their workforces. Some of McKinsey's own statistics actually bear that out, that in the next decade there will be about 350 million jobs changing globally. And about 75 million of those jobs will go unfilled, using today's statistics, because companies will be unable to find people with the skills they need. I wrote the book because I wanted to talk a little bit about my experience as CEO of Guardian but also about the experiences of a number of other CEOs, not-for-profits, university presidents, and professors whom I met along the way and their experiences with hiring and reskilling. I'm hoping that some of these experiences can be useful for other companies but that they also start a discussion in society about why this is really a critical issue for us to tackle right now. Companies are going to be a very big part of the solution.

Workforce challenges

Why is digitization so critical, and how is it affecting the workforce?
One thing that people think of when they think of technology is, "Is a robot going to take my job?" Many jobs can be partially automated. Very few jobs are going to be fully automated, though there will be some. But for the preponderance of people, the questions are really going to be: How do I use the technology to make my job more important? How can I serve the customer better? How can I be involved in more sophisticated problem solving? How can I raise my game and work better and more efficiently with the technology? Those are really important questions for today's workers—and not just for people who are building careers and who want to keep their jobs, enhance their ability to earn, and be satisfied in their jobs. Companies are investing a lot of money in this new technology. If they want to see the kind of exponential growth we think we can get from productivity, they need to help people use the technology. This is not something people learn in school; there's going to be a lot of learning on the job here. We're going to install a piece of technology, and the people whose jobs are enhanced or partially replaced by that technology are going to have to tell us, "Well, this works, and this doesn't work." There's going to be a transition period.

Where are current hiring processes falling short?
We tend to look for people who have done the job before. We tend to scan people's résumés and say, "OK, when have they done this in their past?" Job titles have traditionally played a big role in that. But we can't really rely on job titles and what people have done in the past to give us clues about whether they'll be able to do jobs that don't exist yet. We need to reorient the way we recruit and hire people and train people based on *skills* descriptions, not *job* descriptions. That is a massive undertaking, because most people's résumés talk mainly about their job history. I do think that technology might be able to help us out there. Some start-ups and even some governmental institutions are experimenting with AI [artificial intelligence], for example, to really interview people and say, "What have you done in the past?"

'We need to reorient the way we recruit and hire people and train people based on *skills* descriptions, not *job* descriptions.'

Workforce interventions

What are some things executives can do right now to begin to close the skills gap?
Start small. It's going to be very difficult to transform the whole company all at once. Pick a problem that's vexing today and say, "If we were to apply technology and a new way of thinking to this problem, how could we have a different and better outcome?" Get a team of thought leaders involved in solving this problem. And then use it as a pilot case—a demonstration that people can change, that we can use technology to make our experience and our clients' experiences better.

Executives should also help everyone understand that this transformation process is not going to be 100 percent error free. At Guardian, we said: We're a learning organization. People need to take responsibility for their careers. We'll give you the tools. We'll give you career-planning workshops and self-assessment tests and all kinds of things you can use to think about your future. But just know that your future may be very different from the job you're in today, and let's all work together and learn what might be coming and how we can prepare for it. You can do all those things right now, today, and they

don't cost a lot of money. You can do it in a big organization or a small organization, or you can do it as an individual if you want to be successful in the new world.

What advice do you have for young people just starting college or entering the workforce?
Remember that people don't necessarily need a four-year degree. We found as we worked closely with community colleges and brought interns into our organization from community colleges that we had great results and that a two-year degree or even a certificate program might be just what we needed for certain jobs. So while a four-year degree is always a good thing, it's not necessarily the only requirement for success. In fact, if you think in terms of skills needed, there are certificate programs and associate degrees that might make more sense.

We need to give our young people a mindset of flexibility and resilience; they're not just going to graduate with a degree in one area and immediately be employed in that area for the rest of their lives. It doesn't work that way anymore. We're all going to be learning, exploring, adding new skills to our portfolios. Changing jobs, changing careers. Our education needs to be a preparation for that mindset.

The impact of the COVID-19 crisis

How has the economic and health crisis brought on by the pandemic affected your thoughts about the research you've done?
The COVID-19 crisis has been, in some ways, a huge experiment on some of the premises of the book. We've all had to learn new things, right? We're all on Zoom now. Not very many of us used Zoom to the extent that we do today. We've all had to learn how to be our own computer support at times. We've had to learn new household orders. We've had to learn how to teach our children at home. We've been agile as a country—we've had to be. I think we have to have the same attitude toward our work and our workforces. We don't have a lot of choices here. We're going to have to try and make it work.

Most colleges, universities, and community colleges have had a good part of their educational framework move online. And we're not likely to go back to 100 perc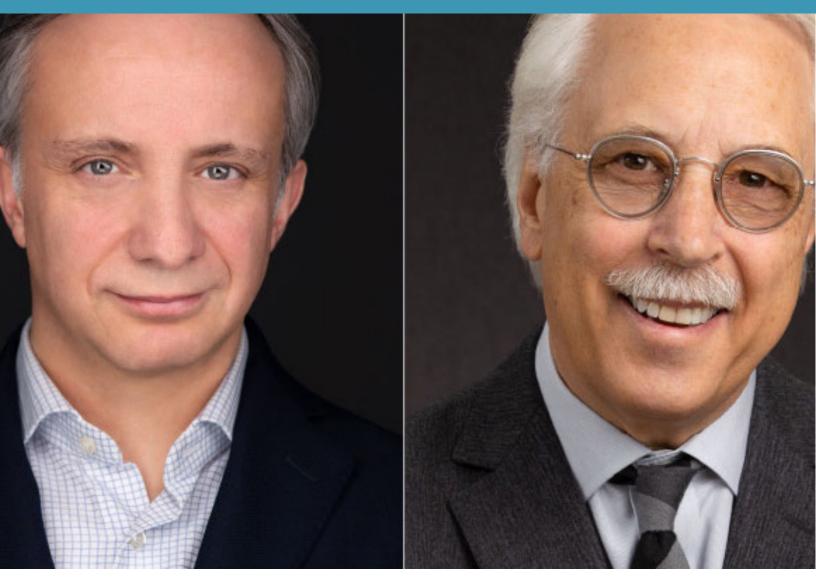ent in-person. That's going to be a real game changer—not only for college-age students but for workers as well, because we have proof that people can learn online. The move to online learning and remote work will provide more opportunities for typically underrepresented minorities and women. But it's also going to mean there's more competition for each job, because the pool won't just be limited to people who are within commuting distance of the office.

What surprised you most about writing the book?
Well, I was running a Fortune 250 company while I was writing the book. So I guess one surprise is, the book took a lot longer to write than I thought it would. Along the way, the state of the art kept changing. Because technology is changing so rapidly, I had to go back several times and update things that were in the book. It just proved that the average person is going to have a hard time keeping up with technology when even the book that I'm writing about it is becoming dated quickly.

Deanna Mulligan is the former chair and CEO of Guardian Life Insurance Company of America and an alumna of McKinsey's New York office. **Roberta Fusaro** is an executive editor in the Waltham, Massachusetts, office.

Gary Hamel and Michele Zanini on 'humanocracy'

Bureaucracy actually served us well in the past. But the nature of work has changed, and management needs to change too.

Gary Hamel and Michele Zanini, cofounders of the Management Lab, are the authors of the new book *Humanocracy* (Harvard Business Review Press, August 2020). Their argument: we need to excise bureaucracy and replace it with something better. In December 2020, they spoke with Mark Staples, an executive editor at McKinsey. What follows is an edited version of their conversation.

What problem are you trying to solve with this book?

Gary Hamel: We wrote *Humanocracy* because we believe—as societies, as individuals—that we can no longer afford organizations that waste more human capacity than they use. Given the challenges we face as a species, we cannot afford organizations where only 15 percent of employees are truly engaged in their work. We cannot afford organizations where an enormous amount of effort goes into fighting bureaucratic battles. We cannot afford organizations where less than 30 percent of the people are really called on to bring their initiative and their originality to work.

Our goal is to move from a bureaucratic model that is focused on maximizing compliance to one that is focused on maximizing contribution. And to make that switch, we are going to have to challenge the very fundamentals of how we think about our organizations. Do we need so many managers? Do we need so many layers? Do we need all the rules and processes? Our answer is no. But to create that future, we're going to have to unlearn most everything we've learned over the past 150 years about how you organize people at work.

Michele Zanini: And, as Gary mentioned, the organizations that we profile in the book were built with one goal in mind. And that is to maximize human contributions. We coined the term "humanocracy" to highlight this radically different paradigm of organization. And the difference lies in how the role of the individual is defined in relationship to the institution. In a bureaucracy, it's the people who are the instruments. They are the "resources" who are employed by the organization to create products and services. In a humanocracy, the relationship is flipped: it's the organization that is the instrument. It's the vehicle that people use to better their lives and the lives of those they serve. And it's through this shift in perspective that we can imagine, and begin to build, organizations that are incredibly passionate, truly creative, and highly adaptable. In other words, the kinds of organizations that have the necessary capabilities to thrive in the 21st century.

'Our goal is to move from a bureaucratic model that is focused on maximizing compliance to one that is focused on maximizing contribution.'

—Gary Hamel

'Since 1983, the number of managers and administrators in the US workforce has more than doubled, while employment in all other occupations has gone up by only 40 percent.'

—Michele Zanini

A massive multiplayer game

The end of bureaucracy—that's an exciting vision. What surprised you most about writing the book? Was it the research, the writing, the early reception?

Michele Zanini: The most surprising thing about writing the book for me was all the evidence showing that bureaucracy has been growing steadily over the past few decades. Let me just give you a data point: since 1983, the number of managers and administrators in the US workforce has more than doubled, while employment in all other occupations has gone up by only 40 percent.

This wasn't supposed to happen. Back in 1988, the late management guru Peter Drucker predicted that by 2008—so, 20 years later—organizations would operate with half the levels and no more than a third of the managers. And his prediction made sense, because it rested on the fact that work was becoming more knowledge based and therefore harder to script, and that technology would allow people to coordinate without managerial intermediation, if you will.

Now, Drucker was right about a lot of things, but obviously not this particular thing. It just shows me that bureaucracy is incredibly persistent and deeply entrenched and that, as an organizational model, it will take a systematic effort to dislodge it, which we try to outline in the book.

Gary Hamel: I think the most startling finding for me through our research came from a survey we ran with the *Harvard Business Review*, where we surveyed 10,000 managers and leaders around the world. Seventy-six percent of those individuals who worked in large organizations said that bureaucratic behaviors were decisive in who gets ahead—not one factor among many, but the most important factor. And what that suggested to us is that bureaucracy has become a massive multiplayer game that's played for the stakes of positional power. And it encourages a certain set of behaviors: hoarding resources, elbowing rivals aside, managing up, negotiating targets, deflecting blame. And that those behaviors consume an enormous amount of emotional and intellectual energy in organizations and yet contribute almost nothing to the achievement of purpose.

Competence, creativity, autonomy

If bureaucracy is not the answer, what is?

Gary Hamel: We've long been told by management experts and pundits that large organizations cannot be entrepreneurial. And yet in virtually all of the organizations we profile in the book, people on the front lines have the autonomy, the upside, the business literacy to think and act like entrepreneurs. And they flourish. They create far more value than their competitors have, higher return on capital, much higher engagement scores. And when you see this, you understand that we can turn every

employee in the world into an entrepreneur, with all the positive impact that will have on productivity growth and on a more equitable distribution of the rewards of capitalism.

Michele Zanini: This is really about what we learned from people on the front lines. It was truly moving, not just surprising. We met employees who design their own large and complicated equipment, who contract out to suppliers, who talk to the customer directly, and who are just incredibly entrepreneurial. They basically start their own businesses and manage them. They get to make significant business decisions. They harness their expertise, their imagination, and their relationships with their colleagues.

It just brought home to me, and to Gary, the amazing level of talent that is simply wasted in most large organizations, where people don't have these opportunities. And all this energy, this creativity, comes from people and occupations that would typically be described as low skill, right? But our experience suggests that the term "low skill," especially when it comes to a specific occupation, says very little about the people who are in those jobs, and a lot more about our prejudice that we need to slot "commodity people" in "commodity jobs."

Right. We hear a lot of talk about meritocracy, but do we actually mean it? What's your take?

Gary Hamel: In traditional organizations and large organizations, your power and influence correlate with your position, with positional authority. And what you have in effect is an aristocracy of administrators. We believe that what we need in organizations are multiple hierarchies, where your influence and your compensation reflect your pure attested competence and your genuine value add. And that all of the energy of human beings should go into creating more value and not those zero-sum battles for promotion. We describe that as a meritocracy.

We are very aware that many people in the world don't have the opportunity to build their skills, to build their talents, and that some people are given a lot greater opportunity to build the things that allow them to thrive in organizations. And we see that we can change this. We can go to people on the front lines at every level. We can give them the business skills. We can give them the opportunity to experiment, to innovate, and to grow their capabilities that allow them to therefore grow their contribution and claim a greater share of the total rewards. That's what we mean by meritocracy.

‘In traditional organizations and large organizations, your power and influence correlate with your position, with positional authority. And what you have in effect is an aristocracy of administrators.’

—Gary Hamel

Michele Zanini: The irony is that bureaucracy was supposed to excise all the flaws of traditional organizations—you know, the nepotism, the politics, and so on. But many of these shortcomings haven't gone away; they've merely shifted to the informal side. To create a truly meritocratic organization, we must do four things. We must decontaminate judgments about merit. We must better align wisdom with authority. We need to correlate compensation with contribution as opposed to position in the hierarchy. And we need to, as Gary mentioned, build naturally dynamic hierarchies where power and influence are products of your peer-attested impact, and not your particular role.

Out with the old

How do companies roll back bureaucracy? What steps can a CEO take?

Michele Zanini: We would suggest two. First, start with yourself. You know, bureaucracy kind of makes jerks of us all. And sometimes we get inured to the biases and the elitism that come from a top-down management style. And so, ask yourself, "In what way am I behaving more like a bureaucrat and not so much like a leader who catalyzes the initiative and the imagination of colleagues?" The second thing is to invite the whole organization on this journey with you. Busting bureaucracy is a complex task, and no one person will have all the answers on how to do that. We think that the journey to humanocracy should be open to everyone who is willing to shape the organization's future, in a way that elicits the best thinking and generates deep commitment.
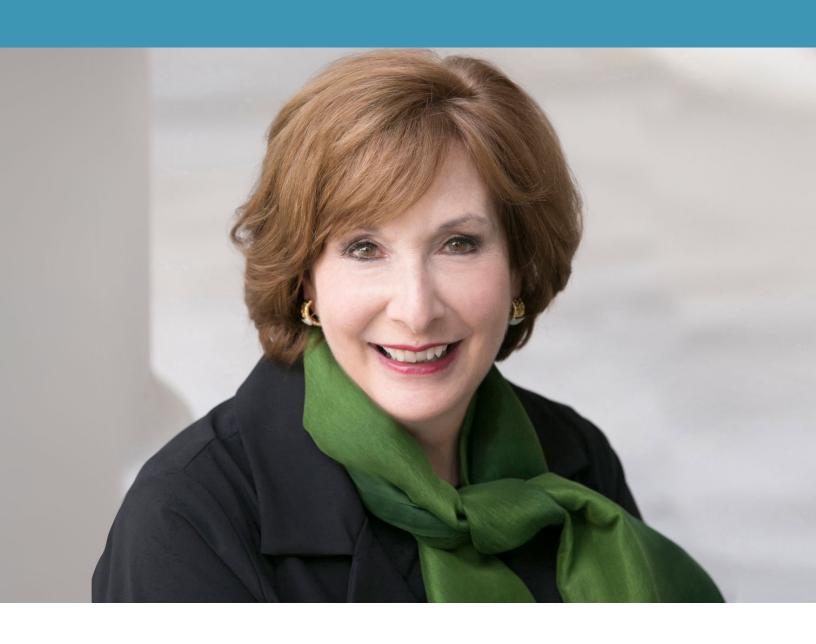
Gary Hamel: You reach a point in any field of human endeavor where you cannot solve new problems with old principles. And I think that's where we are with business and management. We inherited a set of principles that were right for the industrial age—the principles of standardization, specialization, routinization, and formalization. They're good if you're trying to solve the problem of compliance. But if you want to build an organization that has an evolutionary advantage, that can change as fast as the world around it, that has an innovation advantage and inspiration advantage, you have to start with new principles.

In the book, we talk about these principles— principles like ownership, meritocracy, markets, openness, and so on. And the goal is to embed those principles in the processes and practices of how we run our organizations every day. It's not one Armageddon-like battle. It's going to be a series of experiments, guided by a consistent set of principles that allow you to build an organization that is as capable as the people inside.

We're looking forward to a bureaucracy-free future. Thank you both for your time.

Gary Hamel and **Michele Zanini** are cofounders of the Management Lab. **Mark Staples** is an executive editor in McKinsey's New York office.

Sandra J. Sucher on the power of trust

Trust is the most powerful force underlying the success of every business—but it can be shattered in an instant.

McKinsey Global Publishing's Raju Narisetti chatted with internationally recognized trust researcher and Harvard Business School professor Sandra J. Sucher about her new book, *The Power of Trust: How Companies Build It, Lose It, Regain It* (PublicAffairs, July 2021). Based on two decades of research, Sucher and coauthor Shalene Gupta examine the economic impact of trust, and the science behind it, to prove that trust is built from the inside out. The result? A new understanding of the business, economic, and societal importance of trust and how to regain it once lost. An edited version of their conversation follows.

What problem are you trying to solve with this book?
Business is facing a trust crisis. The 2021 Edelman Trust Barometer showed that business was actually the most highly rated institution, and it garnered 61 percent trust. Government, for example, was at 53 percent. But as business people, if we step back and say, "How do we feel about 61 percent of respondents saying they trust us," it's not such a great score. And so trust is when we are willing to enter into a relationship of vulnerability with someone—or an organization—that has power over us.

There was a great study of NCAA basketball players, and what the study found was that the team that had the highest trust in its coach had the highest number of wins, and the team that had the

Shalene Gupta

lowest trust in its coach had the lowest score. What this adds up to is a question for business, which is how does a company gain trust? Shalene Gupta and I wrote this book to try to help people understand how trust is built and how to regain it if it's lost.

Trust in the COVID-19-era workplace

How has the pandemic impacted trust?
I think that there are two dimensions on which things have gotten more focused: the first is companies' responsibilities for safety. This is kind of a new topic, so unless you're in extractive industries or something where there are big machines wandering around, and people in them, it's not something that companies have had to worry about before. But now what you see on every website is, "Here's how we're keeping our employees safe. Here's how we're trying to keep our customers safe."

This is a new and ongoing responsibility that really is at the heart of trust, because people are trusting companies with their lives, whether they're the customers or the employees. The other thing that's going on is that people have started to think more about their relationship to work. We actually are at a point where we need to knit organizations back together.

And I would probably ask three questions: First, I'd want to know what COVID has felt like for the people inside my firm, and I'd want to find out what their experience of COVID has been. I'd want to know how well they thought we'd done as a company at actually managing the COVID challenge on their behalf and others. And I'd want to know what kind of areas they think we could do a better job in.

On the internal versus external trust challenge:
One of the basic principles that we found about trust is that trust is built from the inside out. It's almost impossible to imagine a company being able to be trusted by its customers if it's not trusted by its employees. Like any other business process, there are steps you have to follow in order to truly regain trust. All of these go against the normal playbook in companies attending to legal matters first, and

'It's almost impossible to imagine a company being able to be trusted by its customers if it's not trusted by its employees.'

really not attending to these trust issues. It's not that the cost and liability issues related to a scandal aren't huge; it's more that regaining trust is a different goal, and if you want a different outcome, you have to work a different process.

The first step of the process is to take responsibility for the harm you've created and to apologize for it. So I apologize, myself, to all the lawyers in the room who are screaming at this point, "Don't do that!" But in fact, trust has a moral domain, and one of the most important elements is people's ability to take responsibility for the impacts that they cause. That's one of the foundational elements on which we trust companies and other individuals. So the first thing you have to do is to actually say, "We did this thing, we know it's wrong, and we're so sorry for the problems that we caused."

The second step—and this gets hard—is to fix accountability for what was wrong. Now, this is a place where most companies pull back and they say, "Well, you know, it was those people down at the bottom who did these things." But people's demand for fairness is that they know the companies are hierarchies, and they reasonably, in a moral sense, hold the person at the top of that hierarchy responsible for what happens on his or her watch.

Now, there's actually some interesting research that says that you can punish CEOs and get the same effect, like take away some compensation. But what people care about is that the person who is

responsible—really responsible—for what goes on be held accountable. And then the third step is a long-term strategy for trying to fix what caused the breach in the first place.

So it's these three steps: apologize, fix accountability, and manage the long-term foundational issues that created the breach in the first place.

Which trust-building stories work best?
One tactic, and it was surprising to me, was the role sustainability reporting can play in getting a company's story out. Now, some companies are really good in their sustainability reporting, at saying, "Here's the strategy, here are the things that matter, here are the stakeholders we're trying to satisfy, here's measurable progress that we're making, and here are things that we still need to do."

The other is to remember that the first audience is inside the organization. If trust is built from the inside out, the people who really need to understand what you've done, and what you're doing to make good on what happened, are the people inside the company.

So even if none of this got to the outside, if you have a credible story, and data to back it up, about the issues that you found and what you're doing about them, and the positive things that have come out of that, that will go a very long way to helping people juice the company back into some state where it can regain trust on the outside.

The case for taking a stand—or not

On weighing in or staying out of it:

There are a couple of dimensions of trust. One's just competence. No one's going to ever trust a company that's not good at what it does. But there are three dimensions in the moral domain that people care about greatly. They care about the motives of a company—which is whose interests are they really serving. They care about whether the company uses fair means to achieve its goals. And they care deeply about the impact that the company has, the real impact that people see on the ground regardless of what the company says.

So let's think about how companies make these judgments about whether or not they're going to get involved in something. The first thing that we know is that there will always be backlash from the disappointed group—particularly because these are moral questions that are largely being debated. On the one hand, you try to do the best that you can to satisfy the interests of people who think differently about the topic. But for some of these issues, like voting rights and Black Lives Matter, at the end, it's a moral judgment on the part of the company where you know that you're going to tick some people off, and you may even suffer some legislative setbacks and new taxes that could be levied on you because people are ticked off with what you've done. Nonetheless, trust is a domain of who we want to be as a company, right? And it's those defining moments that help a company.

That does not mean that companies need to weigh in on every single issue. Number one, there are too many, and number two, only some of them either touch their heart or are ones where people expect them to take a stand. So I think the first thing to say is, "Is there a place where I feel I should be making a stand?" It's one place where I think the boards can actually be helpful, if they can be open minded about weighing what is really going on. The bottom line is that, because these are moral calls, there are going to be people who disagree.

On global organizations and regional issues:

Global companies always have this question about what's the same and what's different, and I think that's also true with this dimension of trust. And I think that if a [regional] issue hasn't bled over to other countries where you are doing business, it is important to let everyone [in the organization] know about it so that they are prepared if asked about it.

So first you solve [the issue] at the country level: you work inside the firm to make people understand what it is that you've done so they won't be surprised if they get asked. But you also have a good reason for saying this is why we think [the issue] is limited to this one country, and this is why we don't think this is an issue for us globally.

Sandra Sucher is a professor of management practice at Harvard Business School and an internationally recognized trust researcher. **Raju Narisetti** is the director of McKinsey Global Publishing.

Joann S. Lublin on lessons for working mothers, their families, and their employers

Joann S. Lublin looks at the trade-offs mothers are too often forced to make between work and family and the root causes, including the dearth of large-scale paid parental leave.

McKinsey Global Publishing's Raju Narisetti spoke with Joann S. Lublin, former management news editor for the *Wall Street Journal*. In her new book, *Power Moms: How Executive Mothers Navigate Work and Life* (HarperCollins, February 2021), the Pulitzer Prize–winning journalist draws on the experiences of two generations of successful women—boomers and Gen Xers— to measure how far we've come and how far we still need to go. An edited version of the conversation follows.

What problem were you trying to solve with this book?
The root problem I was trying to solve was to determine to what extent the "motherhood penalty" still exists. The motherhood penalty takes a lot of forms. It was initially documented back in 2007, when researchers found that if you submitted a résumé in which it was clear that the résumé was coming from a woman with children, she was much less likely to be called for an interview than either a man with children, or men and women whose résumés made it clear that they had no children.

And that motherhood penalty, from a hiring standpoint and employment standpoint, still persists. In fact, the wage gap between women with children under 18 and dads with children under 18 is about 69 cents earned by the mother for every dollar earned by the dad—a much wider gap than exists between women and men [generally].

So the question that I was trying to explore was, has the motherhood penalty diminished at all as these younger executive mothers, women who were in their 30s and early 40s when I interviewed them, moved into executive roles? And what I found was that it has indeed, to some extent, but that the women still suffer from gendered role expectations.

What surprised you most about writing the book—whether in the research or response?
When interviewing the 86 executive mothers for this book, some of them cried or choked up during the course of the interviews. And they turned tearful for lots of different reasons, sometimes when they were recounting ugly quarrels with their husbands, whom they were separated from.

Other cases, it was because they were being treated poorly as women on the job. Some of them got choked up when they were feeling guilty about those frequent business trips they took when their kids were little. And obviously, when there was a big health crisis with a family member, whether it was a child or an aging parent or their own life-threatening health condition, some of them choked up about that.

You say it's important to accept the imperfections. Why is that?
Accepting our imperfections doesn't mean that you stop trying to be the best you can be, especially if you're cognizant of the workplace in which you are operating. For individuals, that means you accept the fact that you're imperfect and accept the fact that there are going to be cases in which you are held to a higher standard, but you may not be able to meet those standards. You just do your darned best. And what it means for employers is that we need to be having mandatory and regular unconscious-bias training, so we understand the ways in which men

> ‘Accept the fact that you're imperfect and accept the fact that there are going to be cases in which you are held to a higher standard, but you may not be able to meet those standards. You just do your darned best.'

and women alike put themselves in boxes. I think men are equally subject to stereotypical expectations—it's why we see a relatively low percentage of men take paid parental leave when it's available.

When I moved from Chicago to Washington for the *Wall Street Journal*, when I was seven months pregnant with our first child, and my husband essentially followed me, the guys in the *Journal* office kind of laughed at my husband, that he would be so dumb as to follow his wife's career.

The juggling act called life

How can companies help with the notion of 'work–life sway'?
Well, I think for starters, employers need to understand what the concept is. When I started reporting for this book and began meeting with the younger executive mothers, women in their 30s and early 40s, the very first woman I met said, "By the way, have you heard of work–life sway?" I said, "Is that like work–life balance?" "No," she replied. The whole idea of work–life sway is that we accept as a given that when we need to be 110 percent there for our jobs, for our employers, we will do so, but if life interferes and we've got to do something that deals with our family, we will move out of work mode and move into family mode.

So how can this concept apply to employers? Now that we've had this successful natural experiment in working from home, I think employers can make a permanent commitment to letting individuals work from home, either part-time or full-time, and in so doing, they can trust those individuals, particularly those who have parenting responsibilities, to figure out what time of day works best for them to work, and to allow, for instance, protected periods of time during the day.

Some companies during the pandemic have chosen to end the work day at the same time that school ends, because whether you're educating your kids from home or they're physically back in school, you are still working from home, and frankly, it gets a little chaotic around 3:30 p.m.

The other thing is that you need to show empathy by checking in frequently. Even if you yourself have children, they may not be as young or as vulnerable as [the children of] some of the employees that are working for you, and you need to be asking those working dads and moms, "Am I doing everything that you need, from your point of view, that enables you to be as effective and efficient as you possibly can?"

Did you find any distinctions among women of color in your research?
The 16 women of color were among the 86 executive mothers. One distinction was that among the women of color, the common thread I noticed was that they were, to a great extent, more able to rely on extended family to help with childcare issues than white women were. A really great example of this involved Inhi Cho Suh, who is an IBM executive and a younger-generation mom. She was born in South Korea and immigrated here with her parents when she was five. About a decade ago, she and her husband had an opportunity to relocate to the New York suburban area, so they would both take jobs at IBM. The problem was that they didn't know anyone where they were moving to, and they didn't have any local relatives, so she reached out to her parents, both of whom at that point had their own small businesses, and asked them for help. They agreed to sell their businesses and move in with Inhi, her husband, and their two sons, and essentially became a second set of parents to their grandsons.

When Inhi talked about how her mother explained why she did this, she choked up. Her mother said, "My sun is setting and yours is rising," and that was why she was willing to sell her business, and why Inhi's father was willing to sell his business.

Generational wisdom

Are there lessons for power daughters?
Yes, I think there are many lessons for the daughters of power moms, and the daughters of future power moms. And one is that you've got a secret resource there. So many of these boomer mothers ended up being informal career coaches for their daughters as they reached adulthood.

'[Employers] can make a permanent commitment to letting individuals work from home ... and trust those individuals, particularly those who have parenting responsibilities, to figure out what time of day works best for them to work.'

And frankly, the daughters could not care less when they were in high school, and often throughout college. In fact, they resented the way mom was trying to micromanage their selection of college, and what they were going to major in, and what field they were going to go into afterwards.

But you know what? These moms had figured out how to make it in the corporate world, and to the extent their daughters wanted to be in the corporate world, they ought to take advantage of her knowledge, her experience, her networking skills, her connections, and her ability to figure out what is or isn't going right when they get into that job.

How do you think your mother would have responded to your book?
Well, it's very ironic that you should ask that question, because the last time I saw my mom was around this time last year, when I visited her in her assisted-living facility in Atlanta. At that point, I was nearing completion of the book, but obviously she never got to read it. I said, "Mom, this book will be dedicated to you," to which she replied, "Read me

the dedication." And at that point, the dedication said, "To my mother, Betty Lublin. She's always been my biggest supporter in my role as a working mom."

And she said, "Oh, no, that will not do. I wasn't always your biggest supporter. There were lots of things that I didn't like about how you were doing this." And she was right. When I was pregnant with my son, she said to me, "Of course you're going to now quit journalism and become a teacher," to which I replied, "Why would I want to do that?" And she said, "So you can have your summers off."

And so I said, "OK, Mom, I'll rewrite the dedication. I'll say, 'She was always my biggest supporter and my biggest critic for my role as a working mom.'" She replied, "No, reverse it." I think she would get a big kick out of the book. I think she really would.

Joann S. Lublin was management news editor for the *Wall Street Journal* until she retired in 2018. **Raju Narisetti,** based in McKinsey's New York office, is the director of McKinsey Global Publishing.

Photo by Philip Dembinski

Michelle Duster on the legacy of Ida B. Wells

In a new book, Michelle Duster celebrates the life of Ida B. Wells, a journalist, suffragist, and antilynching crusader—and Duster's great-grandmother.

In a conversation with McKinsey Global Publishing Director Raju Narisetti, Michelle Duster, a writer, professor, and champion of racial and gender equality, discussed her new book, *Ida B. The Queen: The Extraordinary Life and Legacy of Ida B. Wells* (One Signal Publishers/Atria Publishing Group, January 2021). In the book, Wells pays tribute to her great-grandmother Ida B. Wells, a pioneering woman who was often overlooked and underestimated. An edited version of the conversation follows.

What were you hoping your book would add to the well-known story of Wells?

I really wanted to share and celebrate her truth and her enduring legacy with a new generation. And my hope is that readers will be inspired by her story and galvanized to continue to fight for a better world. I also wanted to help people understand the connection between the past and the present and, hopefully, see themselves in my great-grandmother's story.

What surprised you the most when researching for the book, which is also your own family history?

One thing that I learned while I was researching for *Ida B. the Queen* is how much my family was surveilled by the FBI. I found the FBI files on my great-grandmother. And I really wanted to incorporate that into the book to give people a sense of what my great-grandmother's life was like, but also how it has impacted my family to have somebody surveilled by the government.

In light of a tumultuous year for racial justice in America, what about Wells's life should be highlighted?

Ida B. Wells was a trailblazing journalist. She was an antilynching crusader and a suffragist. She was a civil-rights icon. She cofounded several organizations, including the Alpha Suffrage Club, the NAACP, and the Negro Fellowship League. She was a social worker. She had multiple careers during her lifetime.

Her quest was always to give full citizenship rights to Black Americans and women. And she was very successful in some ways. During her lifetime, women did gain the right to vote with the 19th Amendment. But she was 58 years old when that happened; most of her life, she did not have the right to vote.

She also experienced great progress during her lifetime, especially after slavery ended. During Reconstruction, she had the right to become formally educated. So she saw a lot of progress, but she also saw a lot of backlash to and violence toward Black Americans' progress. And we continue some of those struggles today.

What enabled Wells to be positive in the face of adversity in what was—and still is—an uphill battle for justice?

I think my great-grandmother was, inherently, an optimist. And one of the things I'm hoping people will get from *Ida B. the Queen* is her sense of optimism combined with indignation. She believed that challenging systems—by truth-telling, by exposing inequality—would lead to, ultimately, some kind of systemic change.

What can Wells's life and this book teach us about accelerating progress for Black women today?

There has been progress for Black women from 1862, when my great-grandmother was born, until 2020. I have way more opportunities than my great-grandmother did.

We can probably name the number of Black women who are in high levels of corporate management in a very short list, compared with the number of white men at those levels in 2020. For me, that shows heroic accomplishments by those individual women

'[Ida B. Wells] believed that challenging systems—by truth-telling, by exposing inequality—would lead to, ultimately, some kind of systemic change.'

because, from my experience, the women who are advancing to these levels run circles around their competition. They have to be so much better, so much more qualified. The level of excellence that Black women have to exhibit is at a higher standard than what I have seen other people need to achieve.

And that, to me, is not a change—a systemic change when it comes to equality—it's women's individual efforts that just makes them stand out so much. And until we get to a point where everybody is measured by the same criterion, we'll still be dealing with inequality.

Michelle Duster is adjunct professor at Columbia College Chicago. **Raju Narisetti** is the director of McKinsey Global Publishing, based in McKinsey's New York Office.

Mia Bay on traveling Black

In a new book, Mia Bay explores when, how, and why racial restrictions took shape and what it was like to live with them.

Raju Narisetti, director of McKinsey Global Publishing, and Mia Bay, the Roy F. and Jeannette P. Nichols Professor of American History at the University of Pennsylvania, talked about her new book, *Traveling Black: A Story of Race and Resistance* (Harvard University Press, March 2021). From stagecoaches and trains to buses, cars, and planes, *Traveling Black* explains why the long, unfinished journey to racial equality so often takes place on the road. An edited version of their conversation follows.

What were some of the issues you were hoping to address for your readers with this book?
The gap between the American dream and the American reality—the myth of the open road does speak to something that's actually central to the American experience, which is mobility, moving around, traveling for work, being dispersed from your families. But it also has a kind of mythology of being able to travel easily, being welcome wherever you go. Which is actually limited to certain people and not others.

The roadblocks to freedom

What surprised you most in researching this topic over the years?
It was a book I never really planned to write. It was just a subject I became curious about. I first was surprised to learn when I was working on the biography of Ida B. Wells—a 19th century Black woman and antilynching activist—that one of the things that kind of got her into activism and journalism was that she was kicked out of a ladies' [train] car in Tennessee in the early 1880s.

This was before you had formal legal segregation, and the divisions among passenger cars used to be between ladies' cars and smoking cars. So I became curious about how you went from ladies' cars to Jim Crow cars. I hadn't really thought about how segregation took shape.

And then, as I wanted to know more about how segregation took shape and operated over time and on different forms of transportation, I discovered all sorts of things that kind of blew my mind. For instance, I did a lot of word searches on "Jim Crow cars." I noticed fairly early on that, especially in Black newspapers, people often were sort of counting out how many people died in train crashes, Black versus white. And I thought, "Well, why are they keeping track of the racial demographics of train crashes? That seems odd."

I eventually realized it was because, as the railroads began to move from all-wooden passenger cars to new metal passenger cars, they were using the older cars as Jim Crow cars, which meant, over the turn of the century, between let's say the late 1890s and as late as 1950, there were a lot of train crashes in which most of the people who died or were injured were riding in the Jim Crow cars.

And that was something that African Americans knew at the time and protested, but it just never got any traction. So that really surprised me, and it took me a while to even understand what they were talking about.

I was also amazed to find that there was an attempt to have racial rules of the road at one point, in the Deep South. They initially thought that when people got to a traffic light, Blacks should basically wait for white drivers to go [first].

This was not a viable system of traffic regulation. Four-way stops, for example, were kind of a disaster, especially if you had a mix of people at them. So it didn't really work out. But there was an attempt to have it. And there were certain customs, like Blacks weren't supposed to pass whites on dusty roads.

'I think that we need to find ways to think about traveling, be it commuting or long-distance traveling, as a right that we need to protect.'

On cars, "at best, as mixed blessing for African Americans":
The automobile was greeted with real enthusiasm by African Americans who really hoped that it would be a shelter from segregation. It started to pose problems fairly early on. Automobiles, once you use them for transportation, as opposed to riding around town, require you to have gas stations, hotels, motels, and roadside restaurants. And all of that would often be segregated. So, in many ways, automobile travel became more segregated over time: restrooms in gas stations were often off-limits to Blacks. In some places, the use of the gas station was off-limits to Blacks because gas station owners were trying to market themselves to an audience— they imagined these white women drivers that needed to be comfortable and find that the gas station was homey and safe. So they would kind of discourage Black patronage.

And these kind of problems would just multiply over time so that, while African Americans did continue to love automobiles in a certain way, and continue to sometimes find them preferable to trains and buses, where they had many problems, they also had to do things like plan their trips in advance so that they could have places to stay, usually with friends, because there were a very limited number of hotels [for people of color].

They had to figure out where the places they could eat were, where the gas stations were that would serve people of color. They had to find out where it was dangerous to drive, where it was safer to drive. So automobiles were challenging in their own way. And the kinds of dangers that they could pose are still familiar to us today. Blacks traveling through the South, in particular, were worried about being stopped by the police. They were worried about white hostility. All of these things could make automobile traveling dangerous.

On the lack of affordable parking through a racial-inequity prism:
There was sometimes segregated parking in the South. Some towns had a rule that only whites could park on Main Street on Saturday, which was the big shopping day, because they wanted Blacks to do their shopping on another day.

There were work areas where whites had the paved parking and Blacks had the unpaved parking, and beaches with segregated parking areas. That underscores what is still true today, which is that parking is closely associated with money and status. And it aggravates transportation inequities.

A lot of people who can't afford to live in New York work there. And they often live quite far away and might choose to drive into Manhattan. But they can't because parking is just completely out of the question. Meanwhile, people who actually live in inner-city areas, if they want a job for work, have to calculate the cost of a parking space, which makes it prohibitive for many people.

Parking in inner cities, in particular, is a luxury, and it's one that's off limits to many people of color, which is one reason why levels of car ownership are lower among Blacks and Hispanics.

The right to mobility

On social media, where hashtags such as "driving while black" and "traveling while black" remind us that American citizens trying to travel freely remains a civil rights issue, especially if you're not white:
I think that we need to find ways to think about traveling, be it commuting or long-distance traveling, as a right that we need to protect. That people should have access to transportation, that it should be equitable transportation, that there shouldn't be entire groups of people who are simply left out of mobility.

I think that that point was made abundantly clear during Hurricane Katrina, when we saw all those people stranded in the Superdome. They were people who lived in New Orleans who did not own cars. The city had not really made a plan for anyone who didn't own cars.

It had a plan that redirected highway traffic out of the city, allowing people who had cars or could get rides to drive. But if you didn't have a car, there was no plan for how you would leave New Orleans.

Transportation is a fundamental service, but in this country, we often don't think of it that way. We don't have a huge commitment to infrastructure or making places accessible to people who don't drive. All of this is also going to collide, of course, with the ongoing climate-change issues. It would be a good idea for the nation, generally, if we became less dependent on cars and found ways to move people around that involve things like buses and other forms of transportation that aren't so hard on the environment.

On your quote "no need to travel back in time to travel Black":
I think it illustrates the challenges and some of the things that we need to think about that tend to be invisible. We often don't spend that much time thinking about how people got from place to place.

One of the striking things to me in researching the book was how many whites, including whites in leadership during the segregation era, were unaware of the kind of difficulties Blacks experienced while traveling, because they, themselves, didn't experience them. For instance, President Lyndon B. Johnson was surprised when he asked a Black family that worked for him to transport one of his dogs to Texas, and they refused. And he just didn't understand why. He was finally told it was because it's hard enough to travel cross

'Transportation is a fundamental service, but in this country, we often don't think of it that way.'

country if you're Black, but if you bring a dog, it's just really impossible.

These are the kind of things that people don't think about. I worry that, during the [COVID-19] pandemic, those of us who can afford to avoid public transportation for health and safety reasons are not thinking enough about those who can't.

We already know that funding for public transportation is in crisis. So we have things like the New York City public transportation system losing riders. So if we back away from commitments to public transportation, this would be particularly damaging to people who can't afford cars.

It's also really a terrible time in the history of our planet to up our commitment to cars. So we need to be thinking about all those things. And we need to be thinking about them in terms of helping all people move through the world in a way that is safe and equitable and, hopefully, not too damaging to the planet.

On segregation and air travel
I had no idea about [segregation on] planes. In fact, when I started writing the book with that chapter, I wasn't sure I could actually write a chapter on

traveling by plane. I wasn't sure that there were forms of segregation or that I could find any evidence of them.

Then it became clear that there was a complex history of segregation on actual planes. And then a very clear history of segregation in airports and segregation at all the kinds of support facilities that you need to use planes, from taxicabs to airport hotels. That really affected early fliers. Many Blacks who first started using planes were, once again, excited. They would avoid segregation because it wasn't really that widely practiced in the air.

But then they would land at an airport and be completely unable to get a cab, or there would be a layover, and there would be no hotel for them. So all of these things were actually really difficult for Black air travelers.

Any early response that has surprised you to the book?
I've been interested and gratified by how much people want to use it to talk about modern-day transportation inequities. That is not necessarily my expertise. I'm glad that people are thinking about that.

Mia Bay is the Roy F. and Jeannette P. Nichols Professor of American History at the University of Pennsylvania.
Raju Narisetti is the director of McKinsey Global Publishing, based in McKinsey's New York office.

McKinsey Global Institute's Peter Gumbel on searching for identity

In his new book, Peter Gumbel looks to his family history to examine the intertwining complexities of nationality, migration, and politics.

In a discussion with McKinsey Global Publishing's Eleni Kostopoulos, Peter Gumbel, editorial director of the McKinsey Global Institute, spoke about his latest book, *Citizens of Everywhere: Searching for Identity in the Age of Brexit* (Haus Publishing, 2020). The Paris-based, award-winning journalist draws on his family's migration stories to explore the nature of belonging amid cycles of pluralism and nationalism. An edited version of the interview follows.

What are the key issues you want to raise in this book?
In these unsettled times, many individuals and companies are taking a closer look at their values and purpose. This book-length essay is my personal exploration of those questions. It focuses on the essential issues of identity and belonging.

The starting point was my decision to acquire a new European nationality after the UK's Brexit referendum in 2016. I live in Paris and, as a British citizen, I would have faced bureaucratic hassles to be able to continue working here after Britain withdrew from the European Union. I also would have lost my freedom of movement across the rest of the EU.

My grandparents were stripped of their German nationality when they fled Nazi Germany in 1939, and, under the postwar German constitution, that made me eligible to apply for German citizenship. Doing so meant closing an 80-year cycle of family history—and that required a lot of soul-searching. I needed to take a close look at myself and my values, as well as at the reality of both Germany and Britain today. The exercise was well worth the effort. I feel that I have brought closure to a part of my family history that was so painful it remained taboo for many years. At the same time, it gave me a better understanding of the changing nature of identity in our digital age, and made me appreciate all the more the values of freedom, tolerance, and justice that my grandparents yearned for in their darkest hours.

History is a great teacher

What surprised you most about writing this book—whether in the research, writing, or response?
A large stash of documents relating to my mother's family going back three generations formed the bulk of my historical research. The most poignant are letters my grandfather wrote to his business contacts around Europe in October 1938, searching for a job that would enable him to leave Germany.

He knew his situation was dire: he had just put his son on a *Kindertransport* train to get him out of Germany to an unknown destination and had essentially given away the family company to avoid it being confiscated. He didn't yet know it, but he would be arrested during the *Kristallnacht* pogrom on November 9, 1938. Yet reading his letters, you can only guess at the drama of his situation. He writes in a very controlled and genteel way that betrays almost no hint of emotion. During the ten days he spent in jail, my grandmother followed up with the correspondence, but she gave almost nothing away about her very real worries. No matter how often I read those letters, I continue to find that extraordinary.

You write that "mobility is freedom." How has the COVID-19 crisis threatened that freedom?
You often only truly appreciate something when you lose it. Early in my career, I worked as a journalist in the Soviet Union and experienced Berlin, both West and East, before the fall of the wall. That left me with a heightened sense of the importance of free movement.

With COVID-19, our ability to move has understandably been restricted: during the lockdowns in France, we can't go far from our homes and need a written justification for why we are out. That is claustrophobic, and it has made me appreciate all the more the extraordinary freedom of movement we have enjoyed in Europe over the past 35 years, ever since the Schengen Agreement

removed border controls between most countries. A critical question once this pandemic abates is whether we will be able to return to the way it was beforehand. That's important not just for our own personal ability to move around Europe, but also for trade and the economy more broadly.

The seamless cross-border flow of goods, services, finance, and people is a key achievement of the European Union, and in my opinion, it is essential to maintain and strengthen it. But not everyone shares that view, and with the pandemic, the pressures to curtail freedom of movement will only increase.

Social media: Friend or foe?

In many ways, your book is about the nature of belonging. How has social media changed the way we shape our identities and, subsequently, how we belong?
The social history of the past half century in the US and Europe has been marked by personal empowerment and, increasingly, by the assertion of multiple identities, from our gender and sexuality to our ethnic or religious background, and even our dietary habits. The internet and social media in particular have amplified and accelerated these trends. These technologies are the great cross-border connectors that enable the unencumbered expression of our multiplicity. They link people based on their passions and idea of self, whether it be for golf, chess, vegan recipes, or book collecting. You can be a member of a British-born Chinese-food group or an Irish Latvian-folk-dancing community, or both at the same time.

It just takes seconds to upload a video, photo, or comment and disseminate it worldwide. In this context, I argue that national identity has lost some of its relevance. It is as if our user IDs and passwords for services like Facebook, Twitter, and Instagram have become as important as our passports in determining who we are and the company we keep. As we have seen, these networks are also breeding grounds of misinformation and abuse, and they can destroy self-confidence as easily as they build it up. Yet we are hooked.

Igniting purpose

You write about the importance of fighting for the principles of diversity, of tolerance, and of openness. What advice would you give to corporations that are on a quest to weave these principles into their DNA?
To be credible, you have to go beyond principles and put in place very tangible measures. For diversity, that starts with recruiting—but we also

'[Multiple] small steps can be powerful— and certainly more effective than grandiose declarations that are not followed up.'

know that it doesn't stop there; all too often, diversity at the entry level doesn't lead to more diverse middle or senior management. You need to take a close look at the obstacles to promotion and address them head-on. Fostering greater tolerance and openness are primarily questions of management style and values. You can achieve that with a focus on teamwork and creativity, but they need to take place in a context of nonhierarchical leadership. Being open to other ideas and respecting other opinions needs to be the rule rather than the exception.

The biggest lesson for me from my own family history is that multiple small steps can be powerful—and certainly more effective than grandiose declarations that are not followed up.

My great-grandfather, a highly successful entrepreneur who built a textile business in the late 19th century, saw it as self-evident that he needed to spread the wealth he created, both to his workers and to the German community in which he lived. He set up a health insurance plan for all employees, subsidized a local children's hospital, and funded city parks and the construction of a beautiful art deco theater that still stands. Some 120 years later, stakeholder capitalism is back on the corporate agenda, and the principles of respect and community that guided him are as relevant and necessary as ever.

Peter Gumbel, editorial director of the McKinsey Global Institute, is based in McKinsey's Paris office. **Eleni Kostopoulos,** a digital publishing manager, is based in the New York office.

Roger Martin on the high price of efficiency

In his latest book, Roger Martin argues for a new view of the economy as a complex, adaptive system that balances efficiency with resilience.

McKinsey Senior Editor Diane Brady chatted with Roger Martin, professor emeritus and former dean of the Rotman School of Management at the University of Toronto, about his latest book, *When More Is Not Better: Overcoming America's Obsession with Economic Efficiency* (Harvard Business Review Press, September 2020). The noted management thinker points to a short-term focus on maximizing shareholder returns as a root cause of inequality and economic instability. An edited version of the conversation follows.

What problem are you trying to solve with this book?

Median incomes in the US are stagnating. People tend to focus on economic growth and GDP per capita, which is the mean or average growth. What I was worried about was a divergence between the two as more and more of the new economic growth went into the pockets of the very rich. When they think of inequality, most people think, "Poor people are getting poorer." That's not actually the case. Though I care a whole lot about the poor and how poor they are, they aren't getting poorer relative to the median. That's stayed quite stable. What has been completely unstable and going in one direction is the median versus the top 1 percent and the top 10 percent. That was the motivator for the book. I was trying to figure out, "Why? What's changed?"

What surprised you most about the book?

The thing that probably surprised me most was the result of the Persona Project, a project we did where we interviewed, in ethnographic detail, a bunch of Americans. And the disengagement was startling. The primary-school teacher saying, "Hey, I got a teacher's degree. I thought that was what you're supposed to do. And here I am, barely making ends meet." It's more cause to ask, "Is this system working?" One of the things that I think has been good for the country coming out of the pandemic is the notion of all these essential workers. They're essential, but they don't make a living wage. So how exactly does that work? It's not sustainable for an entity to do business in a way that people who are essential to that business aren't benefiting from it. Living paycheck to paycheck, below a living wage, and worrying about putting food on the table does not make for an employee who can give awesome service.

A take on tech

Is technology a tool for speed, or is it creating more obstacles to resiliency?

I think it's creating more obstacles, probably. Aristotle, who created the scientific method, explained something really important that the world has ignored: if you're going to use the scientific method, it involves crunching data to determine the cause of a given effect. Where's all the data

'To prioritize one thing and say, "This is the one thing we're about," is a recipe for disaster. In a complex, adaptive system, that's pulling one lever and imagining that you know what that one lever is going to do.'

'We're not going to get where we need to be on diversity until such time as we make the most of diverse voices instead of the least.'

from? The past. We have no data on the future yet, because it hasn't happened. And what he said is that crunching data is only good for that part of the world where things cannot be other than they are. Take this pen. I can drop it 1,000 times in the past and calculate that it'll drop in the future because it's part of the world where things cannot be other than they are. Now, the problem with using scientific analysis in that world—machine learning, AI [artificial intelligence], and so on—is it will convince you that the future will be what? Identical to the past. Because that's all science can do—the guy who invented science told us that.

What should a CEO with limited resources prioritize?
One is to prioritize multiple things. To prioritize one thing and say, "This is the one thing we're about," is a recipe for disaster. In a complex, adaptive system, that's pulling one lever and imagining that you know what that one lever is going to do. Two, ask the sustainability question: "Who is necessary for this business system we're trying to put together? Who's necessary for this to prosper? What's in it for them?" And make sure that it's good for everybody else because, otherwise, it is not sustainable; because you're counting on somebody who is not benefiting from the system you've put in place. And then just keep tweaking it and tweaking it. Don't imagine you can put a system in place and it'll run for any period of time, let alone forever.

Diversity is key to resiliency

What's the recipe for a mindset of resiliency?
I guess I would do an overlay. Philosophy feels to me like the most foundational discipline about how people work, and physics is how things work. You need to know how things and people interact to get ahead in life. I think the great philosophers were system-dynamics people, in essence. They were essentially saying, "We are going to explain to you how this thing called 'people interacting together' kind of works." They were more holistic.

We are not taught how to take advantage of a diverse thought—diverse in the sense that your thought conflicts with mine—rather than saying, "I have an idea. Yours is different than mine. I must make sure mine triumphs," which is generally what we're taught to do, to advocate for our point of view.

We're not going to get where we need to be on diversity until such time as we make the most of diverse voices instead of the least. Right now, we make the least of them. And that's often why if you have 20 people and there are two or three who are thinking differently, they're likely to feel that they're being squashed. We have been on a path of reductionism—and this idea that you can prove things.

Roger Martin is a noted management thinker and former dean and institute director of the Martin Prosperity Institute at the University of Toronto's Rotman School of Management, who is based in Canada. **Diane Brady** is a senior editor in McKinsey's New York office.

Gregory B. Fairchild on the next frontier in racial equality

In his new book, Gregory Fairchild shows the power of treating underserved communities as emerging markets.

McKinsey Global Publishing's Diane Brady chatted with Gregory Fairchild, Isidore Horween Research Professor of Business Administration at the University of Virginia's Darden School of Business. In his new book, *Emerging Domestic Markets: How Financial Entrepreneurs Reach Underserved Communities in the United States* (Columbia Business School Publishing, January 2021), Fairchild introduces readers to the rising set of entrepreneurs whose efforts to reach marginalized groups are reshaping the emerging markets of the United States. An edited version of the interview follows.

What problem are you trying to solve with this book?

The book, and what I'm talking about in terms of a solution, is a way of thinking about a financial-services system. And by financial services, I don't just mean credit cards or checking accounts and bank accounts. What I mean is a system that provides investments. And by investments, I mean commercial loans, mortgage loans.

And, yes, I do mean equity to individuals who are trying to make a difference in lower-income communities. That's work that has been going on for decades, long before we had movements like ESG [environmental, social, and governance] investing, which is something we talk about now.

My work is about ways in which a system, by being more democratic, small "d," can be one that helps solve some of the ongoing inequality, and some of the ongoing disparities in racial wealth, and some of the disparities in minority homeownership—and minority business ownership—that we see in our society.

Trends become opportunities

What type of mindset is required to enter these emerging domestic markets?

The emerging domestic-market concept, which is one that I've been developing over the last decade and a half, is one that says, "Even without unrest, and without corporate pronouncements to do something in their communities, these markets are growing faster. They are experiencing income growth at rates we haven't seen before. And they have fundamental characteristics that make them unserved opportunities that businesses and other investors can come along and participate in, just as they did years ago in those so-called foreign emerging markets."

And so the notion is less charitable, not that the benefits of growth in those markets won't be achieved, and won't spill over to individuals who live in those communities. But the benefits that are derived aren't necessarily through the mindset of coming with a handout. The benefits are coming to create a partnership and grow new institutions.

What surprised you most about writing this book—in the research, writing, or response?

We were interested in whether a community development bank would tend to be more inefficient, more costly to run—because it was doing work in low-income areas—or whether it would be more likely to fail in an economic downturn. And so one of our studies looked at the period inclusive of the recent financial crisis of the 2000s. And guess what? What we found was that pound for pound, dollar for dollar, asset for asset, community development banks were no more likely to fail, and were no less efficient, than banks of comparable size.

In fact, what we found is that in certain periods, they were less likely to fail. More recently, I've done some work looking at minority depository institutions. So these are banks and credit unions that focus on serving minority communities. They're often run by minorities. These could be African Americans. These could be Latinx folks, these could be Native Americans, these can be Asian Americans. And these minority depository institutions are often serving low-income communities.

And guess what? Turns out, again, the finding is that those banks actually outperform, given their size and scope relative to other types of financial institutions. So not only are they less likely to fail, not only are they more efficient, but also if you looked at

'I'd love for all of us to really think about how we interact with financial-services systems, and whether there are things we can do to make sure that for those of us who have advantages in the system, we can ensure others do.'

where they are, relatively speaking, they get far less in dollars, that is deposits and assets, than you'd think, given their performance.

The system isn't frictionless

How did your own experience inform your research or focus in this book?

In this book, I share a number of experiences that I've had in the financial-services system. And I point out a set of benefits that I've had that accrued to me even before I was born. These were things that my grandparents and my parents were able to do, unlike many African Americans. My grandfather and grandmother served in World War II. They were able to get what's now known as the GI Bill, or the Servicemen's Readjustment Act loan.

And with that loan, they were able to buy a home in the 1940s that they raised my father in. And my father, as a benefit of having that asset, had a solidly middle-class life. Then, as my father became a man, grew up, and left home, he joined the US military.

And he joined the military and became an officer at a time when the military was instituting integration across the board—integration in housing, integration in schools, integration in facilities. And

as a result, I was able to be educated in communities in housing, and in places that were integrated from the time I started school.

Many African Americans had neither the experience of my grandparents nor the experience I had, people my age, of having been in integrated school systems. I could go on. But what I try to do in the book throughout is to point out ways that I've had both challenges, because I've had challenges, and I've had advantages. And those challenges and the advantages accrue from structural factors, rather than from the benefit of my own individual labors. Or sometimes when we think about what we call inequalities in our markets, we think that the driving factor is discrimination.

And while that may be, and while that is an important discussion, what I've tried to do with my work is say that rather than ferret out and look for someone who's vilified, or point to someone who's been a deliberate discriminator, my work has said there are structural things that have nothing to do with one person's animus that enables some of us to move through the system with ease and causes some of us lots of friction.

What would you have us do? Is there a call to action?
One of the first things I'd like you to do is challenge your assumptions. You may not be right about the extent to which these risks or these inefficiencies or these bad behaviors are real. And I'd encourage you to come to this book with fresh eyes about asking yourself whether you're right.

Next, I'd love all of us to really think about how we interact with financial-services systems, and whether there are things we can do to make sure that for those of us who have advantages in the system, we can ensure others do. And that could be putting deposits in institutions that operate in those communities.

There are some people who think banking is a bad-news industry that only cares about the rich. It doesn't. And it doesn't have to. And there are many individuals who are working in the field, they're featured in the book, who do care about the rest of us. And if you're one of the people who's encouraged by that idea, and you think a nonprofit is the only place you might want to go, you could find your way to a broader base of financial institutions that could help be the change you're looking for.

At the policy level, what I'd love to see is, while we think about income supports, we also think about ways of changing policy to help people right now during COVID-19 with the short-term problems they're going to have; hopefully, we're going to get through these COVID-19 challenges.

And then the question's going to be what types of financial fractures are we still going to have? And so that time will be one when these institutions that are on the ground in lower-income, minority communities are going to be the ones that can help rebuild those communities. And so my real strong advice is to think about policy in ways that put more capital in those institutions.

Gregory Fairchild is the Isidore Horween Research Professor of Business Administration at the University of Virginia's Darden School of Business. **Diane Brady** is a senior editor in McKinsey's New York office.

Saadia Madsbjerg on making money moral

In their new book, Saadia Madsbjerg and Judith Rodin offer a road map to making the financial market a force for good.

McKinsey Global Publishing Director Raju Narisetti chatted with Saadia Madsbjerg, a McKinsey alumna and a former managing director of the Rockefeller Foundation. In *Making Money Moral: How a New Wave of Visionaries Is Linking Purpose and Profit* (Wharton School Press, February 2021), Madsbjerg and coauthor Judith Rodin, former president of the Rockefeller Foundation, explore a burgeoning movement of innovators who are unlocking private-sector investments in new ways to solve global problems, from environmental challenges to social issues such as poverty and inequality. An edited version of their conversation follows.

What problem are you trying to solve with this book?

Judy and I wrote the book because over the last decade, there have been growing calls for the need to reimagine capitalism. And these calls have come from the corporate side, from political leaders, and from intellectual forces as well. There's been a reckoning that the way we have organized the system, while it has lifted millions out of poverty and contributed to strong economic growth, has also created great inequities in society.

The difference [wealth gap] between the haves and the have-nots, for the poorest and the richest, is the widest we have seen in a very long time. Now, at the heart of this is the problem of how we have organized our financial markets and where we have invested our money. Since the 1970s, we have followed a shareholder primacy mantra, where our focus has been on short-term profits.

And we haven't looked at the environmental impact of the way we have run our businesses and the way we have made our investments. We now know that what we do in business has a strong impact on society, and the other way around as well. So the argument for rethinking how to invest isn't an ethical one. It really has to do with creating long-term value for not only our portfolios, but also for society.

Reimagining capitalism

There are many that have called for the need to reimagine capitalism. And there are many commitments that have been made and that are being made. We wrote the book because we really wanted to bring attention to how that can be done. In the book, we make the case for how it's something that cannot be done by the financial industry alone. There is a need to partner with those that are at the forefront of addressing some of these challenges: the NGOs [nongovernmental organizations], philanthropy, businesses, and public agencies as well. So our aim with the book is to really accelerate an interesting and fascinating movement that we believe has the capacity and the potential to reimagine capitalism.

So money in itself isn't good or bad. It does what we tell it to do. Look at sustainable and impact investing, which just a little over a decade ago was a very niche market that was based on trust, but now has developed into something that deals in the trillions. Here in the US, one out of every $3 of professionally managed assets is now in sustainable strategies. That is a huge shift that has happened, and we see it really taking hold, across all asset classes, and in all sectors.

What also makes us hopeful, which are going to grow way beyond where we are today, are two things. One is that for the vast majority of investors that have adopted this strategy, it is a values-driven imperative, as opposed to a values-driven agenda. So let's take climate action. The people who are realigning their investment portfolios and their strategies to really address climate change are not doing it because they are on a mission to save the planet—they're doing it because it's the right thing to do for the bottom line as well.

The second thing I would point to is that the owners of capital, the big pockets of capital, are those that have really taken the leadership in bringing this

'Your voice matters as an investor. Your vote matters as an investor. And strategies that can allow you to use both of those to drive toward a sustainable world is really what drives a lot of impact.'

case about. So it's not a call that's coming from philanthropy or governments, but it's really from those that own that money in that capital. So there are a number of things that are happening that makes us feel as if "making money moral," as we call it in the book, really is a natural evolution of capitalism and the way we invest our money.

Why is avoiding "sin stocks" not a good enough strategy?
One of the main tools of investing responsibly is the influence that you have as an owner. Your voice matters, your vote matters. Now divestment, which is a strategy where you sell or choose not to invest in certain businesses or projects because of their profiles, is an old and well-established strategy. We believe that there is more that can be done if investors actively engage in the conversation and use that voice and their vote to bring about change. And we've seen it happen in many cases.

Take the example of State Street. It's one of the largest asset managers that manage more than $3 trillion. In recent years, it's had a strong focus on promoting gender diversity on the boards of the companies that it invests in. It launched what is called the Fearless Girl campaign back in 2017, where it put out a call and told the companies that it expected them to have at least one female director on their board. Fast-forward a few years, and you have 700 companies that previously did not have any female representation on the board now have at least one.

I mean, that's change that happens when you use your voice and you use your vote. So your voice matters as an investor. Your vote matters as an investor. And strategies that can allow you to use

both of those to drive toward a sustainable world is really what drives a lot of impact.

R for resilience

Why do you advocate for the adaptation of ESG [environmental, social, and governance] to ESGR [environmental, social, governance, and resilience]?
Impact investing is a term that was coined back in 2007 at a conference hosted by the Rockefeller Foundation. Since then, it has really taken root and grown. There are two things that the pandemic really brought to the forefront. One is the interconnectedness between the economy, climate, natural environment, and human health, and if you really look at the implications of that, it gives us reason to look at how we have been managing and assessing ESG and bring greater rigor to those areas, and depth as well.

For example, *E*, which stands for environmental— we expect that it is going to be broadened to look at much more than greenhouse-gas emissions and really have a focus on biodiversity. *S*, which is the social side of it—we expect that it is going to have a greater focus on social inclusion and human rights. And when it comes to governance, there's going to be greater focus on how the leadership of businesses and programs that the money is invested in managed these sustainability challenges and opportunities, and how they govern their organizations. Those are all things that we see as the natural evolution of ESG.

The other thing that the pandemic really reminded us of is how frequent the shocks and stresses that we've been facing globally are becoming and how prolonged they're becoming. And that has brought attention to the concept of resilience. The idea is that companies need to be organized in a way and governed in a way in which they have the ability to adapt and rebound quickly. And those things are not currently set up and measured in the *E* and the *S* and the *G* components. So that's why we make an argument for adding an *R*—an *R* for resilience.

What surprised you most about writing this book— in the research, writing, or response?
History doesn't go in a straight line. Sustainable and impact investing has gone from being a niche market that had a handful of investors to now counting some of the biggest asset owners and asset managers as its champions, and it happened in a relatively small period of time. The big question that came up as we were in the middle of writing this book, and as the real impact of COVID-19 on the economy and on the lives of people was unfolding, was this realization of, we've finally reached the moment where we'll be able to say what happens with this form of investing when we have turmoil in the markets.

How relevant were lessons from your years at McKinsey?
I started off my career at McKinsey straight out of business school, and it was an amazing experience. It taught me how to think broadly about the world, about problems. It taught me to go in with an open mind and learn along the way, and really push the boundaries of what the possibilities can be. And while I wasn't working on anything that touched the social sector back in those days, that way of thinking, and that way of approaching the world, is really something that I have held dear since, and have continued to use, during the years that I was at the Rockefeller Foundation and for doing the research and the writing of the book, too.

Saadia Madsbjerg is an author and former managing director of the Rockefeller Foundation. **Raju Narisetti** is director of McKinsey Global Publishing, based in New York City.

Acknowledgments