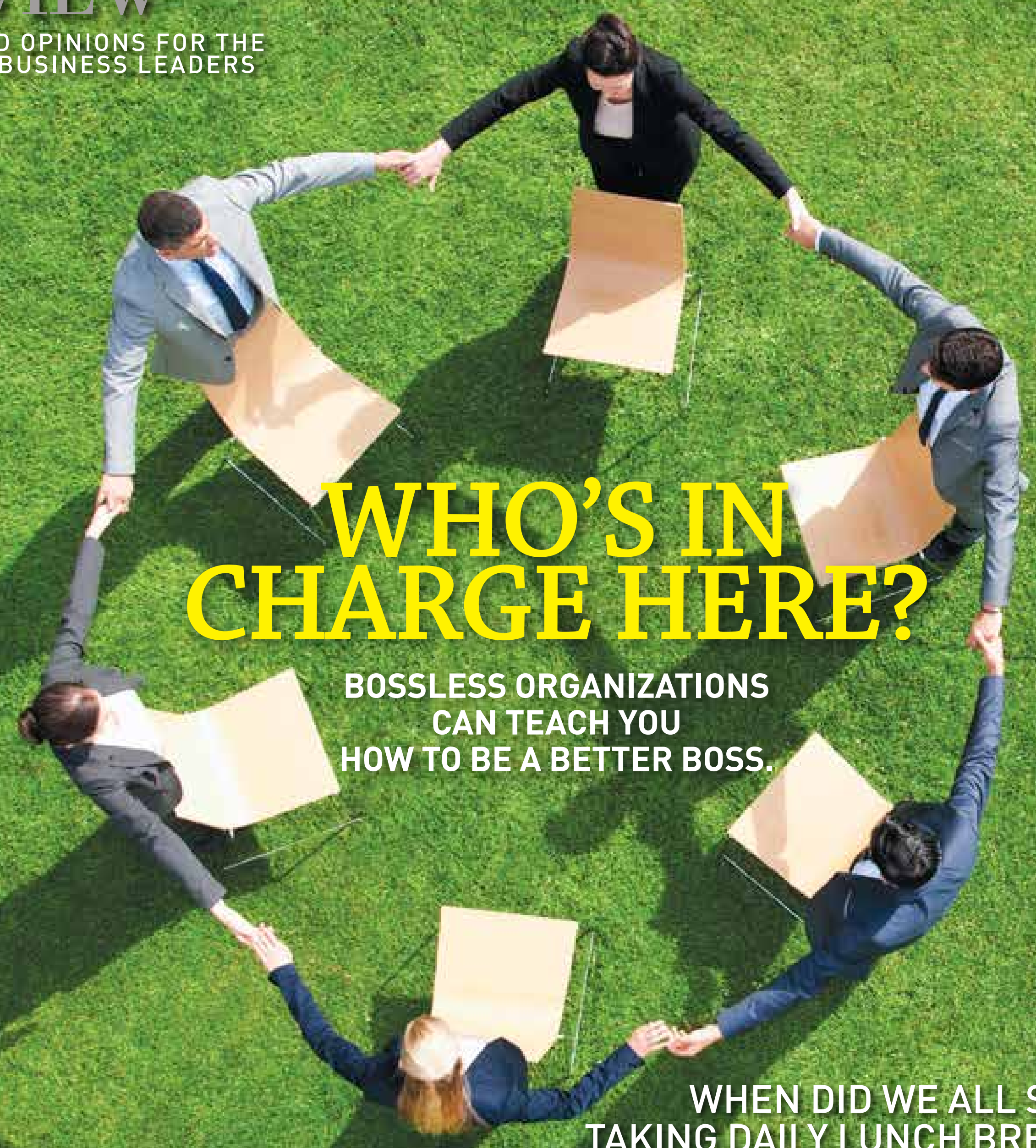
THE CONFERENCE BOARD REVIEW
IDEAS AND OPINIONS FOR THE WORLD'S BUSINESS LEADERS



WHO'S IN CHARGE HERE?

BOSSLESS ORGANIZATIONS CAN TEACH YOU HOW TO BE A BETTER BOSS.

WHEN DID WE ALL START TAKING DAILY LUNCH BREAKS?

LOST U.S. PRIVACY, FREEDOM—HOW IT LOOKS FROM CHINA

PAUL POLAK: HOW TO REACH YOUR $2-A-DAY CUSTOMERS

THE CONFERENCE BOARD

Fall 2013
www.tcbreview.com

EVERYONE HAS FANTASIZED ABOUT BEING BOSSLESS—not necessarily being a CEO or a president or a king but simply having the freedom to work unsupervised, with no one clocking your hours or checking your metrics against goals. Just imagine how innovative and effective and productive you'd be without someone looking over your shoulder!

Vadim Liberman's cover story explores companies structured to give their people such freedom, as networks rather than hierarchies; he looks at how they function and what they can teach managers who work, as the vast majority of us do, in traditional supervisor/supervised systems. Reading about different ways of organizing work, and realizing that they're viable, is genuinely eye-opening. As with all our best articles, it aims to challenge your assumptions and make you rethink the way you approach your job.

Vadim's article makes clear that bossless businesses look for a certain kind of employee—entrepreneurial self-starters who are both independent and collaborative—and that such people aren't all that common. And it occurs to me that even though there's no sign of conventional companies adopting open, network-based structures en masse, today's economy increasingly has room for only those people suited for bossless organizations. With established companies stubbornly refusing to use their billions in cash on hand to hire full-time employees, successful people are those able to demonstrate exceptionality and flourish outside traditional systems. As economist Tyler Cowen argues in envisioning an even more unequal future, "average is over."

A couple of decades ago, we began hearing about how the corporate social contract was melting away, along with pensions, employer-paid health care, and organized labor. Employee loyalty, long assumed, became questionable. Every job, from now on, would be a tenuous and temporary arrangement. We would all live in, as Dan Pink put it, Free Agent Nation.

Now, in a booming economy, with upward opportunities widely available, this new arrangement would work to the benefit of all; with middle-class employment vanishing, not so much. Everyone below the C-suite, with no promises of golden parachutes, sees the ground looming all too clearly, even as lawmakers cut the safety net to ribbons.

Remember that those same lawmakers blame much of Western economies' weakness on *uncertainty*—how can anyone expect CEOs to launch initiatives and hire thousands of people if they don't know for sure whether particular regulations or tax provisions or the Affordable Care Act will be in place a year from now? But we pay nowhere near enough attention to the uncertainty that all of us who *aren't* CEOs feel. Too many—perhaps most—of us feel a low-grade dread at the constant prospect of losing everything. We are reminded regularly that our paychecks are subject to the whims of the market and the C-suite, and that our jobs can be serviceably performed by robots, computers, or some 19-year-old in Bangalore.

And as those who run bossless businesses know, most of us are *not* entrepreneurial self-starters; we don't *want* to be our own bosses. There's a big difference between work flexibility and being cut adrift, between unstructured jobs and reluctant self-employment.

Some lament the scarcity of "passionate workers" today, but can anyone expect passion from people on the verge of being forced into underemployment? Something that both lawmakers and CEOs should keep in mind: Leaving people's livelihoods in perpetual jeopardy is hardly a recipe for innovation and effectiveness and productivity.

MATTHEW BUDMAN
Editor-in-Chief

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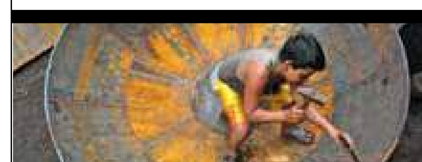


SIGHTINGS

© Neil Webb/Ikon Images/Corbis

What's the Intent Of Your Meeting?

BY DAVID PEARL

DAVID PEARL is a U.K.-based speaker, consultant, and experience engineer. From *Will There Be Donuts?: Better Business One Meeting at a Time* (Harper-Collins). ©2013

"WHY ARE WE MEETING?" YOU ASK, AND PEOPLE WILL USUALLY TELL YOU *WHAT* THE MEETING IS FOR; THE OBJECTIVE. KNOWING THE OBJECTIVE IS IMPORTANT BUT NOT SUFFICIENT. Not if you want to really meet. It is possible to have a perfectly plausible objective and still completely waste your time. Once you know the objective, you want to be asking yourself and others the real question: Why is that objective important/useful/valuable/worth doing?

Or in other words, what is your intention?

You may have a meeting where the *objective* is to discuss sales figures. But discussion is not the ultimate intent. It's there *so that* you make great decisions, or navigate the next year well, or protect your investment or . . . or . . . or . . .

We are so used to collapsing intention and objective together we sometimes forget there's a difference. When you buy a lottery ticket, your *objective* is to win. Your *intention* is about what you will do with the winnings.

To discover, or uncover, the true intent of a meeting, I suggest clients use the question "so that . . . ?" to dig down into the objective to find the true intent buried beneath. It's what I like to call the "why of the why."

Imagine a weekly team meeting. Let's say the objective is to *share information.* To help you identify the intent, I'd ask you to consider the value in doing that.

Me: You share information so that . . . ?

You: So that people all have the same information.

Me: OK. And what happens if they all have the same information?

You: We will all be on the same page?

Me: Hmmm. So that . . . ?

You: We can avoid errors, feel better connected, make better decisions . . . ?

Me: And if you did all those things what would that give you? So that . . . ?

And we keep descending the *so that* . . . ladder until you hit what feels like the bottom, a *why* that sums up the heart of what you are doing and, most importantly, satisfies you.

You: To learn fast. Quicker than our competitors!

Me: Nice intent. Why not tell your colleagues that, next time you have your weekly meeting? Just before you get into the "stuff," remind people that this meeting is there to help you learn quicker and outthink your competition. I think you'll find that perks people up more than a plate of HobNobs.

Here's another example, a real-life one. I was working with a client, an auditor for a major bank, who described his monthly audit meeting as boring. His colleagues apparently felt the same way. We tried to excavate the deeper intent without much luck. He was getting stuck and I was getting frustrated. Then I remembered he had talked about his 18-year-old son and, on a hunch, I asked him if the boy drove a motorbike. Anton paled. He was clearly not happy. Why, Anton? "Because it's a dangerous world out there," he replied with real passion. Anton was clearly very intent on being a good dad as well as a good auditor.

"So that . . . ?"

"So that I can keep things safe in a dangerous world!"

By a roundabout route, we had uncovered the deeper intent of Anton's meeting and, possibly, his working life.

Which would you rather attend, a boring audit meeting or one that was going to help you *keep your company safe in a dangerous world?*

When you do this exercise, you will find there are many ways down the ladder. And you can discover many different intents for the same meeting. In fact, I'd encourage you to refresh and renew the intent to keep the meeting alive. The important thing is to lift the manhole cover of the *objective* and start climbing down to find an *intent* you can tap into.

Limitations

BY ALAN GREGERMAN

It's hard to be open to new people and new ideas when we believe that we know the best way to do things, or that our expertise and worldview are far better frameworks for solving problems, creating new opportunities, building organizations and teams, or serving customers. Not that we shouldn't be proud of what we know, but we should also appreciate the limits of our knowledge and the likelihood that there are even better ways to do the things that matter.

Humility also means being genuinely interested in learning new things, making new connections, and understanding the value of different sources of inspiration. And it is not enough to be open to ideas at the margins of our world; we have to be open to thinking in new ways about the very heart of the work that we do—the areas central to our lives and work in which we have already made a major investment.

Humility means acknowledging and accepting that our expertise is not sufficient for many of the challenges we face. This is very difficult to do, because any big change is likely to put us back to square one on the learning curve. But in today's world, we all have to commit to becoming nonstop and ever-faster learners.

ALAN GREGERMAN is a management consultant. From *The Necessity of Strangers: The Intriguing Truth About Insight, Innovation, and Success* (Jossey-Bass). ©2013

A High-Priced Crutch

BY ED WHITACRE WITH LESLIE CAULEY

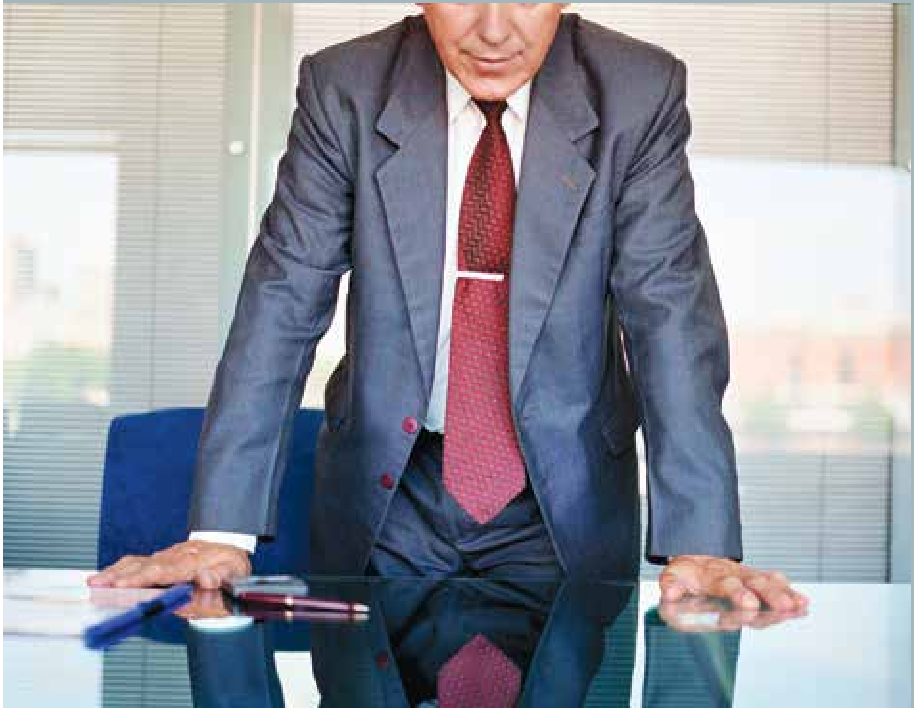
I STARTED PUSHING FOR LESS USE OF OUTSIDE CONSULTANTS. The situation was just so ridiculous: GM was full of car experts, industry experts, marketing experts—people who had deep knowledge of every sort of thing you can possibly imagine when it came to designing, building, and selling cars. So why did we need all these consultants?

I got the answers you'd expect: These people know something; they're providing verification for what we think—things like that. And I'd say, well, that just tells me that you're paying somebody to tell you something you already know.

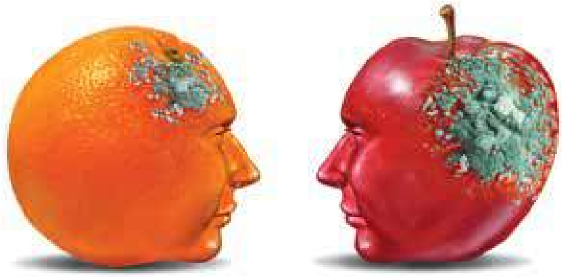
I personally consider most consultants to be of limited value. Not all, but most. I've observed a lot of consultants over the years, and it's always the same: They come back to you with the long studies and the nice booklets, neatly bound, and you sit in a big room and go over their results. And in a high percentage of the cases, there's nothing new—you already knew whatever it was they were telling you. But for some reason, you were just afraid, or reluctant, to act on it.

So one of the things I started preaching in our Monday-morning meetings was less use of consultants. We were paying our people to use their responsibility and decision-making authority. That was the only way they were going to build the confidence they needed to get comfortable with making the hard calls and stepping up to the results of those decisions—good or bad. Bringing in a bunch of consultants is never the answer—that's just a high-priced crutch, a way to stall, delay, and avoid taking responsibility—and I wanted it to stop.

Of course, I got a lot of flak from consultants for doing that. A few called me up directly to express their concern. These people were terrified that this very dependable revenue source—some of these firms had been living off GM for years, and I am talking big money—was being attacked. And in a way they were right, but that wasn't my focus. My sole focus, and sole concern, was making sure GM management got back on a good track. So I listened to what these consultants had to say, but meanwhile I kept turning the screws. I got our CFO to start giving me monthly reports on how much we were paying these consultants. Word got around GM pretty quick, and our use of consultants went down substantially not too long after that.



■ ED WHITACRE is former CEO of AT&T and General Motors. From *American Turnaround: Reinventing AT&T and GM and the Way We Do Business in the USA*.



Under Your Skin

BY TERRY STARBUCKER

I once had a boss that would fly into a rage if we used smooth paperclips instead of ridged ones. Never quite understood the problem, but after a couple of chew-outs, you can bet I stuck with the ridged ones.

We all have them—those annoyances that really gnaw at us, affectionately known as pet peeves. Most are petty and not worth much time or deep discussion. That is, except for one in particular.

Leaders need to have a pet peeve about jerks.

You know them. The ones with the attitudes. They disrupt. They snicker. They smirk. They throw cold water over just about everything (except their own perceived brilliance). And the world revolves around them.

They may be smart, but they infest a room with negativity just by walking into it. Worse yet, they can sabotage progress and become a real threat to the effectiveness of your leadership.

This kind of behavior just has to get under a successful leader's skin. You have to develop an extreme distaste for it. It cannot be tolerated, and as a leader, you need to let that intolerance be known. Even get a little prickly about it.

I was never known as much of a "yeller" as a leader, but this pet peeve pumped up the volume for me on several occasions, and in hindsight, it was the right thing to do. Negativity is a poison, and jerks seem to revel in it.

Of course, the ultimate way to battle this pet peeve is to not hire them in the first place. I love Netflix CEO Reed Hasting's motto, which he puts right out in public: "There's no room for brilliant jerks." So go ahead, let this one get under your skin—and stay there.

TERRY "STARBUCKER" ST. MARIE is a business consultant, strategist, and coach based in Portland, Ore. From his blog, at www.terrystarbucker.com.

Whose Best Practices?

BY LEE COCKERELL

THE BEST COPYCATS DON'T JUST IMITATE—THEY PAY ATTENTION TO EVERYTHING AROUND THEM, SPOT THE BEST IDEAS, AND THEN FIND A BETTER WAY TO APPLY THEM.

Despite what your third-grade teacher might have told you, copying is not cheating, at least when it comes to business. Unless what you are copying is trademarked or legally protected in some way, there is no law against taking another business's ideas and adapting them to your needs; if there were, some of the best innovations on the planet would never have come to be. In fact, not being a copycat is cheating—it's cheating yourself. Think about it this way: As soon as one of your competitors installs a better service system or invents a faster way of doing things, they'll eventually start stealing your customers, and before long you'll be wishing you'd copied them when you had the opportunity. So stay closely tuned to everything your competitors are doing, and don't hesitate to take their best practices and run with them.

The hotel industry is a great example of one that thrives on copycatting. Every major hotel chain now has express check-in, express checkout, preorder breakfast menus, flat-screen TVs, exercise rooms, frequent-traveler awards programs, and other new amenities. If you remove the company's name and logo, you can usher a frequent traveler into any major hotel chain, and chances are she won't even be able to tell which one she's in. Each of those innovations started somewhere, and now they're everywhere, with the chains racing to improve their versions before the others do. Nowadays, no hotel dares not to copy and build on a good idea, and the beneficiaries are the travelers who need a comfortable place to rest their heads.

LEE COCKERELL is a management consultant and former executive vice president of operations at Walt Disney World. From *The Customer Rules: The 39 Essential Rules for Delivering Sensational Service* (Crown Business). ©2013

Family Affairs

BY JON TAFFER

The common denominator among the struggling bars I visit is that the owners or managers of these businesses think of their workers as "family." What a mistake. Successful businesses have winning teams that promote and encourage winning players and mitigate weakness through peer pressure. Teams work together on clear objectives that force individual members to perform or leave. If a batter strikes out all the time, his team will use various forms of coercion to make him try harder and do better. If the quarterback stinks, he can't contribute to a winning game. A lousy second baseman isn't going to stop enough double plays. If these players display chronic limitations game after game, their days are numbered. The coach can't afford to keep them around—the weakest players must be eliminated.

Families, on the other hand, protect and coddle their weakest members; often they enable relatives who might be better off with a kick in the pants. But it is the nature of families to shield the vulnerable and excuse the faint of heart. That's why the expression "we're like family here" drives me crazy, because it suggests a dysfunctional organization. In a work setting, the "cancer of nurturing" promotes paying attention to weak employees while ignoring stellar performers because you think they don't "need" you. That's rewarding exactly the wrong person. What you get in return is a poor performer who does not improve and a frustrated and resentful talented worker who will eventually quit or perhaps exact revenge in some other way. Never allow social or familial motivations to take priority over business objectives.

■ JON TAFFER is chairman of Taffer Dynamics and host and co-producer of Spike TV's reality show *Bar Rescue*. From *Raise the Bar: An Action-Based Method for Maximum Customer Reactions*, with permission from Amazon Publishing/New Harvest. ©2013 by Jon Taffer.

Everyone Will Want to Do It

BY SCOTT BERKUN

REMOTE WORK IS A KIND OF TRUST, AND TRUST WORKS TWO WAYS. Recently Yahoo! CEO Marissa Mayer banned remote work from her company, claiming it made people less productive. She might have been right: In her company, people may have abused the trust that remote work grants employees.

Some employees abuse free office supplies from the copy room. Others lie about taking sick days. Every benefit granted can be used to perform better work, or it can be abused. The benefit itself rarely has much to do with it.

If someone who works for you wants to work remotely or use a new email tool or brainstorming method, little is lost in letting him or her try it out. If his or her performance stays the same or improves, you win. If it goes poorly, you still win, as you've demonstrated your willingness to experiment, encouraging everyone who works for you to continue looking for ways to improve their performance. They become allies in making you look good, because you're simply willing to try. If someone suggests thirty-minute instead of sixty-minute meetings, what is there to lose? If the experiment fails, you end it and try another.

But despite what they say, most people fear new ideas. They instinctively defend the old, no matter how frustrated they are with it. A common refrain I've heard is, "If I let one person do [insert possible good thing here], everyone will want to do it," as if somehow the pillars of an organization will crumble if anything ever changes. The oldest, largest companies today all began with ambitious youth, big ideas, and high thresholds for change. It's the ambition and flexibility that enabled them to do well enough to grow old in the first place. If you want longevity, you can't just bet on tradition—you have to continually invest in the future.

SCOTT BERKUN is a former Microsoft manager who worked at WordPress from 2010 to 2012. From *The Year Without Pants: WordPress.com and the Future of Work* (Jossey-Bass). ©2013

Step Away From the Publish Button

BY MITCH JOEL

In this world where anybody can (and does) publish content in text, images, audio, and video instantly for the entire world to see, we have to start asking ourselves this very difficult question: At what point will the proverbial levee break?

Marketers are busy telling their clients to start producing content or suffer the wrath of becoming irrelevant. Confession: My head is bowed down in shame for I am, without question, one of those marketers. Content needs to be created for a captive audience, and we may very well be selling a bill of goods here. We're asking a lot of individuals. We're telling people to

create content. Short content (be on Twitter!) and long content (blog! And blog often!). We're telling brands to make videos (post them on YouTube and Vimeo, and they don't have to only be sixty seconds long!), and we're telling brands to start their own radio shows (podcasting—still a massive opportunity for brands!).

Let's back up. What is the point of advertising? Advertising's function is to create awareness. Consumers need to know when a new type of toilet paper is on the market. If we trusted that they'd look at every product on the toilet-paper shelves on every visit to their local merchant, we wouldn't have to advertise. But that doesn't happen. As such, we need to make our message stand out and have its own unique space. This new type of toilet paper must be distinctly unique from other toilet paper. Beyond that, is there any additional information to share? Is it the toilet-paper company's fault that other brands, products, and services have also come to the realization that they need to capture your attention—if only for a brief moment—to inform you that they exist?

Do you need a Facebook page for this? Do you need a mobile app for that? Content is a great way to create awareness as well, but this type of awareness needs a special kind of meaning and depth. Why? Because the same consumers who are inundated with advertising are also being inundated with content. That's a lot of messaging.

Also, in a world where a brand is not curating content, publishing content, and serving as a media entity unto itself (check out Red Bull Media), it's critical that we—the business leaders during this moment of purgatory—take one step back and ask ourselves: Are we asking too much of our consumers? Beyond that, are we asking even more of those who aren't even our consumers yet? This is what happens in a world where anyone can publish their thoughts in text, images, audio, and video instantly. It becomes a game where brands are jumping in the pool simply because every other brand is jumping in the pool.

What does that get you? Mediocrity at best, but junk is the more likely outcome. Prior to the social Web, how many advertorials did you read that were so captivating that you could not help but rip them out of the magazine (or newspaper) and share them with friends and colleagues? Admit it—it's not easy to recall a scenario like that. There are few companies that will admit that the quality of their content can't match the quantity that they are producing. Have you ever walked to the back of a conference hall and seen the bags and dumpsters of corporate white papers, testimonials, and articles that are left shortly after the trade-show floor shuts down? You can blame bringing too many copies along as one excuse, but the sad reality is that the content just didn't captivate the audience.

So what do we do? We kill the content. You heard me: *Kill the content*.

Step away from the publish button and take a breather. Instead of looking at your content calendar or barking at someone in your organization to tweet more frequently, take a fifteen-minute siesta and ask yourself this one question: What great stories can we tell? Stop thinking about content as the endgame and consider that the true value is the stories you tell.

You can condemn a company like Apple for not being all that social, but you can't deny that their brand and products tell a wonderful story. The same is true for other brands we highlight as success stories. Zappos tells us great stories about creating happiness. Red Bull makes us believe that human beings can do impossible things. Disney creates worlds of wonder and delight for children of all ages. And, as you can see by the current state of these brands, it's not always easy to stay relevant and compelling to your audience.

Marketers will often say that the best ads are the ones that tell stories. While you can easily shoot back with a "Duh, tell me something I don't know," take a cold, hard look at all of your marketing collateral and ask yourself if you're telling a story worthy of being told—or are you telling a story just to get something sold? Personally, I think that brands and content and great stories are only beginning to get good. Now, because they have the tools, channels, and distribution platforms, real magic can happen (and you don't even need to buy ad space to let the world know). What's my hope? That brands start reinvesting in great stories instead of investing in people to simply blog, tweet, and update their Facebook page.

It's not all about content. It's all about stories. It's not all about stories. It's all about *great* stories. It's a tall order, but if you're looking to create a true mark and to get people to remark about everything that you're doing, you only have one major mission when it comes to marketing yourself and the business that you represent: Go out there and create some great stories. Please.

MITCH JOEL is president of Twist Image, a digital marketing agency. Excerpted from *CTRL ALT DELETE: Reboot Your Business. Reboot Your Life. Your Future Depends on It.*

WHY YOUR CUSTOMERS DON'T WANT TO TALK TO YOU

MOST PREFER DOING BUSINESS ONLINE, SO STOP MAKING THEM PICK UP THE PHONE.

HERE'S A SCENARIO MOST OF US HAVE EXPERIENCED AT ONE TIME OR ANOTHER: YOU ARRIVE AT THE AIRPORT AND SEE A CUSTOMER-SERVICE AGENT STANDING THERE, YET YOU STILL HEAD STRAIGHT FOR THE SELF-SERVE KIOSK TO CHANGE YOUR SEAT, PERHAPS REQUEST AN UPGRADE, AND PRINT YOUR BOARDING PASS. OR HOW ABOUT THIS ONE: YOU STAND IN LINE AT THE BANK TO USE THE ATM BUT KNOW FULL WELL THERE'S A TELLER INSIDE THE BANK WHO'S READY TO HELP YOU.

It turns out that most customers don't just *like* self-service—surprisingly often, we go *out of our way* to self-serve. How customers want to be served, and how they want to engage with companies, has changed considerably in the past decade.

The problem is that most service strategies haven't followed suit, and this is hurting companies not just once but twice, through increased operating costs and decreased customer loyalty.

There are a variety of reasons why self-service has become so appealing to customers. It's efficient—the kiosk is simply faster than the ticketing agent. Social norms have shifted to the point where it's not cool to have to speak to some customer-service agent when you could just as easily use your smartphone. It's almost embarrassing to be seen in line at the airport nowadays, isn't it? *Why would anyone want to get in line with all those travel rookies?*

BY MATTHEW DIXON, NICK TOMAN, AND RICK DELISI

MATTHEW DIXON is an executive director, NICK TOMAN is a senior research director, and RICK DELISI is a senior director of advisory services in the Sales & Service Practice of CEB (formerly known as Corporate Executive Board). From *The Effortless Experience: Conquering the New Battleground for Customer Loyalty* (Portfolio). ©2013

But if you ask the average executive how customers want to interact with his company, almost without fail he will tell you his customers generally prefer to *call*. Service leaders are almost hardwired to think this way, and it's really not hard to understand why. Live phone service represents the most significant operational cost in their organizations. It's the most visible channel that companies oversee—the subject of many YouTube montages and customer letters threatening to end their relationship with a company. And it's the channel on which most service leaders cut their teeth as they came up through the ranks in their own careers.

This mismatch between how customers want to be served and how executives *think* they want to be served is actually masking one of the biggest and most insidious drivers of high customer effort. It's called channel switching—when a customer initially attempts to resolve an issue through self-service only to have to *also* pick up the phone and call—and it's plaguing the customer experience in a way few service leaders fully understand or appreciate. In fact, channel switching happens in the *majority* of service interaction—more than most companies would ever imagine. And each time a customer switches channels, it has a significant negative impact on customer loyalty.

GETTING THEM TO STAY

There's no disputing that this problem ought to be in every company's spotlight, but ironically, it's not. This is in part because most companies tend to take a myopic approach to capturing the customer experience. While just about all companies are good to excellent at tracking a customer's usage of any *one* channel, few companies have systems capable of tracking the experience across *multiple* service channels. Companies tend to think of their customers as "Web customers" or "phone customers," not as customers whose resolution journeys actually cross multiple channel boundaries. And so it's no wonder most companies aren't even aware that channel switching is happening.

If you ask nearly any business leader or manager what her company's biggest challenge is regarding self-service, invariably you'll hear some version of "getting our customers to *go* to self-service." Service leaders know the potential cost savings all too well. "Our call volume is too high. If we could just get more customers to use our self-service channels, we'd save a ton of money . . . so how can we do that?"

But what these leaders don't realize is that a sizable majority of the live phone calls their service reps are taking every day are from customers who *already tried* to self-serve. In fact, on average, nearly 58 percent of a company's inbound call volume comes from customers who first were on the company's website but, for some reason or another, *still* ended up calling the contact center. What's more, over a third of customers who are on the phone with a company's service reps at any one moment are also on that company's website *at the same time*.

THE REALITY IS CUSTOMERS *ALREADY* VALUE THE INTERNET AS MUCH AS THE PHONE, IF NOT MORE.

What about the customer experience? Just how painful is channel switching? Customers who attempt to self-serve but are forced to pick up the phone are *10 percent more disloyal* than customers who were able to resolve their issue in their channel of first choice. Each seemingly minor switch has real impact.

That massive group—the 58 percent of customers who are forced to switch from Web to phone—fall into the "lose-lose" scenario: They cost companies more to serve *and* end up being less loyal as a result. As one CFO exclaimed when he saw this data, "Let me get this straight. You're saying we're *paying* for our customers to be *disloyal* to us?" In a manner of speaking, yes.

The challenge is not in getting today's customer to *try* self-service. The challenge lies in getting today's customer to avoid channel switching from self-service to a live phone call—and in doing so, avoiding the cost and disloyalty that comes with it. Put simply, the self-service battle isn't about getting customers to *go*—it's about getting them to *stay*.

To help shed more light on this shift in channel preferences and the prevalence of channel switching, we surveyed more than twenty thousand customers during the course of three different studies, spanning both B2C and B2B interactions. These represented all major industries and a wide variety of customers from around the globe.

We asked about their experiences: Which service channels did they use? In what order did they visit those channels? Was their issue resolved or not? How easy or difficult was the interaction?

We also sought to understand more about channel preferences: How much value do customers really place in the different service channels they use? What we really wanted to determine was the value placed on live versus self-service channels.

COMPANIES LOVE THE PHONE

So just how important is the Internet in the average company's service strategy? The preponderant answer is, "Not as important as live phone service." On average, service leaders believe that customers prefer phone service *two and a half times* than more online self-service—mainly because companies believe their customers want some sort of personal relationship with them.

So just how far into the future will it be before customer preference shifts toward self-service? The vast majority of service leaders believe this is at least several years away, if not more. So it wasn't terribly surprising that only a third of the companies we spoke with had recently taken on a self-service project of any kind. It just isn't a priority for many companies. The thought that customers are frequently switching channels from Web to phone isn't even remotely on the radar screen. In our conversations with service leaders, we encountered several "hard-wired" assumptions that colored their perception of self-service:

- Customers want to self-serve only for easy issues—for instance, checking balances, viewing the status of an order, or making a payment. But when issues are more complex or urgent, customers are comfortable only with live phone service.
- Only the millennial generation (people in their teens and 20s) has a strong desire to use self-service; older generations simply don't. In other words, the tipping point when more people prefer self-service over live service is potentially *at least* ten years away.
- It costs a lot of money to really improve the self-service offering. Current service websites are ill-equipped to help customers self-serve, and so significant capital investment, well beyond current levels, would be required to make self-service work for most customers.

As one executive vented to us, "The self-service opportunity is like the sword in the stone." The cost savings are clear, but the limitations of self-service are simply too great and the timing just not quite right. His belief is that neither he nor his customers are ready to capture that upside just yet. He is far from alone. Most service leaders express similar frustration. As a result, their strategy is to better manage the phone channel and devote relatively little attention to improving self-service.

THE TIPPING POINT IS ALREADY HERE

Contrary to what most executives believe, the three assumptions shown above are simply not true. They are myths that need to be busted.

The reality is customers *already* value the Internet as much as the phone, if not more. In fact, customers see just as much value in self-service as they do in phone interactions, a finding that largely holds true in both B2C and B2B interactions. This is nowhere near what executives expected—a 2.5-to-1 margin in favor of phone service.

Phone and self-service preferences are ships passing in the night: The desire to use self-service is increasing very rapidly, while the preference for picking up the phone is decreasing at the same rate. The day of that tipping point isn't ten years away—it's already here.

Some customers don't even feel like they're making a choice between calling a company or using the Web to self-serve. Calling is literally not even part of their thought process. Ask any college student which pizzeria they phoned to order a pizza for a party, and they'll probably look at you like you had three heads. "You don't call someone to order a pizza—you just go online and order it. Why would you call someone?" We are in the era of *self-service first*.

What about the harder issues? Recall the initial assumption—that customers had confidence in self-service for only the really simple issues like checking their balance or order status. If that were the case, you would expect customers to be indifferent about the channels they use. To test that assumption, we dug more deeply into our data and isolated scenarios where customers had these more difficult and complex issues. While preferences did swing back slightly in favor of phone service, the difference was nowhere nearly as pronounced as most service leaders had expected. Even in situations that are not routine, customers consider self-service as their first option far more than most of us ever thought. Naturally, there are instances when an issue is so complex that it *demands* speaking with a live rep, but as it turns out, those instances are pretty rare.

Consider this scenario. It's late in the evening, and you notice that your child is starting to develop a slight rash and has a fever. Few would dispute that your child's health isn't high-stakes. Now, of course you could phone your pediatrician or an on-duty nurse. You could also visit a twenty-four-hour clinic or even go to the emergency room. But increasingly, what do most parents do in this situation? We turn to an online resource such as WebMD. We trust these resources—and our own ability to make an informed interpretation of what these online resources are telling us—in ways that we didn't only five or ten years ago.

Customers really do trust online self-service. Many people are now just as confident self-serving as they are talking to a service rep. Self-service also places the customer in control, particularly when information that is confidential or potentially embarrassing might be exchanged. So the well-ingrained mindset that the phone is far and away the most valued option in critical service situations is no longer true—or at least not nearly as true as we once believed.

What role does age play in service preferences? Recall the other assumption—that the preference for self-service was strong only within younger demographics. Naturally, you'd have to think that there would be *some* differences in channel preferences by age. There's little doubt that older customers have less of a predisposition toward technology, not having grown up with smartphones, PCs, and the Internet. You'd expect that fact to be reflected in the way they want to interact with companies. And while that's definitely true to some extent, it's nowhere near what any of us would have guessed. There are plenty of folks in their 60s, even their 70s, who prefer going online first when they have a problem or a question. The balance even among older age groups in favor of phone service is far closer to 60:40, not the 90:10 or 80:20 ratio many of us would have guessed. So even customers who are the last to adopt self-service are much further along than most of us would have imagined.

The age of 51, we learned, is where preference tips from one side to the other. That's a far cry from what most companies think. The comfort and confidence that baby boomers are showing in using the Internet for service transactions seem

HOW MANY WAYS CAN CUSTOMERS REACH YOU?

Executives commonly believe that customers want *more choices* in how they interact with a company. Companies provide a near-endless stream of choices online: proactive Web chat, click-to-chat, knowledge bases, step-by-step guides, email, click-to-call, interactive or virtual service centers, online support communities, and so on. More is always better, right? A full 80 percent of companies we surveyed reported recently adding new self-service options to existing channels, or adding new channels entirely. Most companies view all of that choice as a good thing. But this turns out to be an erroneous assumption, one that unnecessarily drives up expenses and undermines loyalty. Consider that the average customer-service website has between *twenty-five and fifty* potential choices for a customer to make before even starting the resolution process (FAQs, phone options, chat options, options within options). And for most companies, this number continues to grow.

With all the choices available for customers to resolve a given issue, how could you possibly expect anyone to make the right (lowest-effort) choice based on the issue or problem they're experiencing? Some kinds of issues are very fast and easy to resolve through Web self-service. Some issues are so complex that they require live interaction with a customer-service rep in order to be resolved with the lowest effort possible. *No one channel is best for all issue types*. But the vast majority of companies simply leave it up to the customer to choose his own adventure, believing that customers prefer more choice over a lower-effort experience.

Low-effort service organizations opt for guiding customers in self-service interactions instead of allowing choice. MasterCard has one of the best guided resolution sites that we've seen to date. MasterCard's customer-support website is built for decision simplicity. Instead of offering an overwhelming number of choices, it offers a limited number of choices, with a couple of them presented more prominently. Their support site operates like a "virtual concierge": Based on what you tell it, you are guided to the lowest-effort pathway. Using this new interface, MasterCard has seen a marked reduction in customer effort, including a 30 percent decrease in email volume. Additionally, MasterCard reports a significant shift in the mix of simple versus complex interactions handled via phone, indicating that fewer customers are actually channel switching. The net outcome is that customers who need live rep attention are getting it, and the customers who want to self-serve are easily able to finish online.

For customers, when it comes to how information is presented online, *simplicity matters a lot*. Most customers who channel-switch do so because they become confused or lose confidence. It's not that the website fails them, or that it isn't capable of answering their question. Surely that happens, but not as frequently as a customer getting lost in the language or layout of a company's service website. Can you get *all* of the channel switchers to stick to self-service just by simplifying the website? Probably not. But we believe that getting two in ten customers to avoid channel-switching is an easily attainable goal. Of course, capital investment in a slicker interface and greater functionality could put a far greater dent in this number. But "two in ten" is a worthy and realistic first step and can be achieved primarily through simplification of the website. For a company with a million annual phone calls and an average cost per call of $8, even this would result in annual cost savings of roughly $564,000. And those two in ten customers will end up less disloyal, because they've had a lower-effort experience.

—M.D., N.T., and R.D.

to be constantly increasing. Indeed, this age demographic has accounted for some of the most explosive growth in online usage. Facebook, for instance, has reported that users over 65 years of age represent its most significant growth segment over the past few years.

Here's a sobering thought related to just how off-base most companies are: What executives initially told us, the 2.5-to-1 margin, turns out to actually reflect the service preferences of at least one segment of customers. That segment? Customers who are 77 years old and above. That's a far cry from most companies' target customer demographic.

It's not that companies had no idea that the preference for Web usage is shifting. Rather, it's that this shift is happening far more quickly than any of us could have predicted.

SO WHY ARE PHONES STILL RINGING?

This shift in customer preferences is a fairly recent phenomenon. Nearly 67 percent of customers told us that that even five years ago, they *primarily* relied on the phone for service. Compare that to only 29 percent of customers making the same claim today. It's a remarkable shift that's caught many companies flat-footed. But if the only bad news here is that most service leaders were drastically off the mark, well, that's not so bad, right? Customers want to self-serve. The shifts most companies were expecting to see in five, ten, or even fifteen years have already occurred.

It only stands that call volume *should be* dropping like a rock. *But it hasn't.* We didn't find this to be the case for a single company in our ongoing analysis. While phone volume is decreasing, it's dropping more like a feather than a rock. (In fact, for most companies it's declined by only 4 to 5 percent over the past few years.) The customer remarks captured in our survey help explain what's really going on. Some of the more telling customer comments we received:

"I always feel like I have to call—not that I *want* to call, but I *have* to call. It's hard to think of other companies where I always have to call. Their sites make sense to me."

"Your website told me to call. If I wanted to call, I would have."

"Your agents are very nice, and I always have good experiences when I talk to them. I just don't always want to have to talk to them."

Take a minute and imagine yourself manning the phone lines, talking to a customer about a service issue. You come to learn that this customer was just on your website and could have self-served, but for whatever reason she still ended up picking up the phone and calling. How would you feel about spending valuable time (hers *and* the company's) having a live interaction with a customer who not only wanted to self-serve but actually *tried to?*

The first step you need to take is assessing the main reasons customers have to channel switch. While you *could* assess your channel-switching opportunity by combing through CRM, website, and phone-trunk data, Fidelity Investments takes a much more straightforward route to accomplishing the same thing. Fidelity's contact-center reps are armed with a simple question tree they use when a customer calls. Here's how it works: Customers are initially asked whether they tried to use self-service. For those who answer *yes* to this question, they are asked what happened—*why* did they have to call? Was it a technical issue? Was something confusing? Did they lose their way on the website? These are the channel switchers, telling Fidelity *exactly* why they had to switch. To get this data alone makes the practice worthwhile.

However, Fidelity takes it a couple of steps further. Customers who *didn't* try to self-serve are asked if they were aware the functionality existed (in situations where it, in fact, does). And when situations for which the functionality doesn't yet exist for their issue, customers are instead asked if they would feel comfortable attempting to self-serve for that issue should the option become available. The whole exercise is really a basic market-research question that helps the company know where to make future self-service investments. Fidelity reps present it to customers as a learning exercise that the company is conducting to help customers. Positioning the questions as a way to learn from the customers is the reason so many customers offer their input.

Additionally, customers feel that they are truly being listened to when they speak with a Fidelity rep, versus a survey, about their online interaction. It's a really clever approach, because they capture great information about channel switching and also get valuable information on how customer preferences are evolving plus a sense of how aware customers are of self-service options.

One of the first executives with whom we shared this data and research had this reaction: "We think of our customers as either 'phone callers' or 'Web users,' but what we're finally beginning to realize is that we actually need to think of them as *both*." It's a simple, perhaps obvious point, but very few companies think this way about their customers.

Companies need to shift their focus from getting customers to *try* self-service to getting customers to *stay*. Ten years ago, self-service was about educating customers about the existence of the company's website and building their confidence that they could use self-service to resolve their issues. In fact, in 2005 our team wrote a study on this very topic, entitled "Achieving Breakout Use of Self-Service." That study now feels like ancient history. That era has already passed us by. So don't fight it. They're a small (and shrinking) minority of customers. The channel switchers are where you'll find the win-win—a lower cost to serve for you, and lower effort for the customer. And best of all, there are still plenty of opportunities to get this right. ■

STOP TEXTING UNDER THE TABLE

BARBARA PACHTER EXPLAINS HOW *business etiquette* IS CHANGING.

BY MATTHEW BUDMAN

MATTHEW BUDMAN is editor-in-chief of *TCB Review.*

HOW DOES ONE DRESS FOR A SKYPE CONVERSATION WITH AN ETIQUETTE EXPERT? BARBARA PACHTER WRITES: "MAKE SURE YOUR CLOTHING IS APPROPRIATE. JUST BECAUSE YOU ARE NOT MEETING IN PERSON DOES NOT MEAN THE INTERVIEWER OR BUSINESS ASSOCIATE CANNOT SEE WHAT YOU ARE WEARING. AND DON'T ASSUME ONLY YOUR UPPER BODY IS SHOWING. DRESS PROFESSIONALLY FROM HEAD TO TOE."

Honestly, ". . . to toe" seemed excessive, and fortunately, Pachter didn't insist on a full-body scan.

In *The Essentials of Business Etiquette: How to Greet, Eat, and Tweet Your Way to Success* (McGraw-Hill), she takes on a wide range of up-to-date proper business behavior, from how to properly shake hands to warnings to spend less time on Twitter—which, really, seems like advice that shouldn't need to be given. "Yes," she agrees. "But we're not quite there yet with social media. There's a learning curve. I think in another couple of years, everyone will know the guidelines. But the difficulty with technology, the good and the bad, is that as soon as we overcome a major hurdle, there's a new type of technology out there, and we have to start all over again!"

Pachter spoke from her home in Cherry Hill, N.J.

AS OUR PERSONAL LIVES SHADE INTO OUR WORK LIVES, HAS THE SCOPE OF "BUSINESS ETIQUETTE" EXPANDED? ARE YOU MORE OFTEN OFFERING ADVICE ON WHAT PEOPLE DO AFTER 5 P.M.?

Yes. We have become 24/7, and it used to be that if you wrote an email to somebody at 9 o'clock at night, you would wait and send it the next morning, before you left for the office. Now, people are sending emails at 9 o'clock, *and they're getting answers!* Go to bed! The workday is over! And smartphones have changed things, because at some companies, you would carry two phones, but a lot of them now are allowing you to have one phone that's your work and your personal phone. So you're *never* away. There's no downtime. And we really have to work to make sure that when we close the office door, we leave everything behind.

AREN'T COMPANIES INCREASINGLY AWARE THAT THIS IS A PROBLEM? AT THE CONFERENCE BOARD, THERE'S SOMETHING OF A MANDATE TO TRY NOT TO SEND EMAILS ON THE WEEKENDS—AND, IF YOU DO, TO TRY NOT TO EXPECT REPLIES.

The emphasis is on *try* not to. Not *don't*.

IT STILL HAPPENS, OF COURSE: ENTIRE CONVERSATIONS TAKE PLACE OVER THE WEEKEND, WITH HALF A DOZEN PEOPLE INVOLVED.

The guideline used to be that you needed to respond to emails within twenty-four hours. Now, people expect an answer right away, and you feel guilty if you can't do it. I do coaching, and if I got an email right now, I wouldn't respond to it—and the sender might wonder, "Well, why *can't* you respond right away?"

SO MUCH OF NEW BUSINESS ETIQUETTE COMES FROM TECHNOLOGY. HAS THE INFORMALITY AND IMMEDIACY OF EMAIL, CHAT, AND SOCIAL MEDIA CHANGED BEHAVIOR IN THE REAL-WORLD WORKPLACE?

I don't believe it's changed it, but people have gotten into more trouble because of it. People send emails without thinking. People send emails on their phone and use text shortcuts, and they're not OK in an email. One woman interviewed for a job, went to write her thank-you note from her phone, forgot it was an email, used text shortcuts, and didn't get the job as a result. There are consequences to all of these things. So technology has absolutely changed the way we interact with each other.

But there's a learning curve with technology. I don't have to remind people not to use all caps in an email anymore. That's been around for a while. I don't have to remind people, if they're leaving a voice-mail message, to speak slowly and to say the number slowly. I don't even have to remind people to put their phone on vibrate anymore. Most people know to do that. But now, it's the texting under the table. People are still doing that. In my experience, it's slightly better. What happens is, over time, etiquette experts weigh in, and people learn from their mistakes. So ultimately, I think it will be to the same level that phone-on-vibrate and everything else is. But we're just not quite there yet with texting under the table.

OF COURSE, THE PEOPLE WHO MOST NEED YOUR ADVICE ARE THOSE NEW TO THE BUSINESS WORLD—IT CAN BE A ROUGH TRANSITION OUT OF COLLEGE. BUT WHAT ABOUT EXPERIENCED PEOPLE? HOW MUCH HELP DO THEY NEED?

They often need more than they think. They haven't gotten a refresher, and the

Etiquette Advice

A LOT OF WOMEN, AND SOME MEN, DON'T STAND WHEN THEY GO TO SHAKE HANDS WITH SOMEONE. YOU ARE *EXCLUDING* YOURSELF WHEN YOU STAY SEATED. YOU'RE MORE APT TO HAVE A CONVERSATION WITH SOMEONE IF THAT PERSON IS STANDING. YOU'RE AT AN EQUAL LEVEL.

business world is always changing. And oftentimes, people are unaware of how they present themselves to others. They don't realize what their clothing is telling people; they don't know how to shake hands; they don't even greet people properly. Small things can make a big difference in how you establish a relationship with someone. The person who you say hello to on the way to the meeting may ultimately be sitting next to you *at* that meeting, and you've already established what I call minor rapport.

And people don't stop to think about it. We get so preoccupied that we don't realize that every day we are establishing our image at work.

IN YOUR SEMINARS, IS THERE ANYTHING PEOPLE ASK ABOUT THAT SURPRISES YOU? ANYTHING THAT MAKES YOU WONDER HOW THEY DON'T KNOW THAT?

I get more questions on the handshake than anything I teach. I just did a blog post on handshakes—it's not for men only!—and the comments were interesting: I had a woman in her early 40s who asked me, "When did women start shaking hands?" The old guideline used to be that men needed to wait for women to extend their hands. Because there are more women now, the handshake is not a gendered greeting—it is the business greeting. And did you ever get a handshake that was limp? We make all *sorts* of assumptions about people based on that. People don't know when to do it; they don't know *how* to do it.

They also don't *stand*. When I go around in my seminars and I go to shake people's hands, only 30 to 35 percent of the women stand. About 75 percent of the men stand.

I make a living talking about little things—you put them all together and they create an impression of you, and it can work for you or against you. One of the little things is standing. A lot of women, and some men, don't stand when they go to shake hands with someone. You are *excluding* yourself when you stay seated. You're more apt to have a conversation with someone if that person is standing. You're at an equal level.

These are the subtle things that establish a good image or take away from your image. There are a *lot* of little things that have big consequences, regardless of your tenure in the workplace.

HOW HAVE CASUAL FRIDAYS AND DOTCOM INFORMALITY CHANGED BUSINESS DRESS? IS IT MORE OF AN EFFORT FOR COMPANIES TO ENFORCE DRESS CODES?

A lot of companies are now casual every day. It depends on the industry. Every decision you make with regard to dress has to do with who you're meeting with, what's your purpose, what type of organization, and people don't always stop to consider that. So there are some very casual companies, and that may be perfectly appropriate. But then, if you want to go sell to a high-ranking official, you may want to think about your dress. When Mark Zuckerberg went to meet his bankers initially for his IPO, he wore a hoodie. They didn't like that; he got some bad press. And the IPO didn't do so well. I'm sure it had nothing to do with the hoodie, but why take the chance?

IS IT MORE OF A PROBLEM FOR COMPANIES TO ENFORCE DRESS CODES TODAY, ASSUMING THEY HAVE THEM?

It is, because when you say *casual* and you don't define it, it can be more difficult to define than professional dress. People do all *sorts* of things. There are bellies showing; there's way too much skin showing; people wear see-through tops; any sense of what's appropriate can be tossed out the window.

Remember that etiquette is allowing you to present yourself professionally in the workplace through your words, actions, and appearance. And when you do follow etiquette, you're more apt to create the relationships you want to create. That's the goal of etiquette: creating relationships so you can accomplish what you want to accomplish and feel good about yourself.

But things do adapt to the times. For instance, there's a whole area of gender etiquette. The rules used to be very set; now, things are a little bit looser. It used to be that men paid the bill; now, the host or the highest-ranking person pays the bill, and sometimes that highest-ranking person is a woman. But internationally, even if that's the case, sometimes men won't let you pay anyway.

I WAS A LITTLE SURPRISED TO SEE THAT IN YOUR BOOK, ONE OF FOUR SECTIONS IS DEVOTED TO BUSINESS MEALS. I WOULD HAVE GUESSED THAT THERE WAS LESS BUSINESS DINING THESE DAYS AND THEREFORE PEOPLE DIDN'T NECESSARILY NEED TO THINK SO MUCH ABOUT WHAT TO ORDER AND HOW MUCH TO DRINK.

There was less during the recession; people were entertaining on a shoestring. But business is back, and so is dining. People still entertain, and people still go out with potential customers. And how you handle yourself at a business meal, like most things, can and will come back to haunt you. When you're interviewing, the second or third interview may occur at a meal. And who would you rather hire or promote: Somebody who knew how to order, didn't chew their food with their mouth wide open, stayed sober or got drunk? There are all *sorts* of opportunities for others to judge you based on how you present yourself. Just because you're out of the office doesn't mean your manners don't matter.

AND YOU SAY THAT YOU GET MORE QUESTIONS ON DINING ETIQUETTE THAN ANYTHING ELSE.

Think about it: In today's world, we don't always sit down at the dinner table together as a family. Kids are running off to school activities, parents are working late, and where did you learn how to present yourself at a restaurant unless your parents taught you at the dinner table? Some parents allow their kids to bring their smartphones to the dinner table. That's the time to *talk*!

SPEAKING OF SMARTPHONES: IN SEMINARS, DO YOU EVER MEET PEOPLE WHO GENUINELY DON'T KNOW WHAT'S APPROPRIATE PHONE ETIQUETTE?

A lot of people just have no idea what to do. And if you ask them—you see, they don't think about it. They pick up a phone and start using it. They don't think about how they use phones will affect other people. So it's not that they don't *know*—they don't even *know* they don't know. That's the interesting part.

The new thing now is telling people, "Please do not leave your phone on the table." Because if I have my phone out, what I am saying is that, "I am *so* ready to drop you and pick up that phone." And people just don't think about that. In my seminars, I ask people to not text under the table and to put their phones away. In another year or two, I won't even have to say that.

PEOPLE TEXT UNDER THE TABLE *IN YOUR SEMINARS*?

Not anymore. But they'll try.

IS SOCIAL MEDIA THE BIGGEST AREA FOR WHICH EVERYONE IS STILL TRYING TO FIGURE OUT THE RULES?

Everyone *knows* it's not private, but they think there's no consequence to what they put online. And people have gotten fired because of what they've posted on social media. One woman was in New Orleans at a conference; she posted on her Facebook page: "Off to another stupid meeting. Would much rather be on Bourbon Street." And her boss *saw* that. She didn't get fired, but her boss lost a lot of respect for her.

THE NEW THING NOW IS TELLING PEOPLE, "PLEASE DO NOT LEAVE YOUR PHONE ON THE TABLE." BECAUSE IF I HAVE MY PHONE OUT, WHAT I AM SAYING IS THAT, "I AM *SO* READY TO DROP YOU AND PICK UP THAT PHONE."

Now Is the Time To Turn Off Your Cell Phone

BY DANIEL POST SENNING

The key to using the smartphone successfully is to be in control of it. Far too often, people get a mobile phone and then feel compelled to always respond to it even if it means interrupting people they are with.

When I conduct a business-etiquette seminar for a company, inevitably the person hiring me has a particular issue the company wants addressed. Not surprisingly, one of the top issues I hear is: "Tell them not to use their smartphones during a meeting." One CEO at a consulting firm was adamant about solving this problem. His employees were so addicted to their smartphones that they were constantly checking them during meetings.

When I customized the seminar for this client, I built in five moments where the point about no cell phones in meetings could be made. Amazingly, just as I reached the point when I brought the issue up for the third time, lo and behold, a phone began ringing. People started looking around; no one was taking responsibility. Finally, one consultant sheepishly reached into her handbag and turned off the phone. Of course, by the time she reached into the bag, the ribbing she got from the other participants was far more effective than anything I could have said.

Later, after the fifth time that I raised the phone issue during the seminar, I looked over at the CEO and asked," Have I made it clear enough for you?" He smiled and replied, "I think you have." I asked him that question not as a joke but as a final emphasis of the point. The company was serious, and the CEO was serious. The culture at the company had to change. No more smartphone use during meetings.

DANIEL POST SENNING is the great-great-grandson of Emily Post and manager of Web development and online content at The Emily Post Institute. *From Emily Post's Manners in a Digital World: Living Well Online* (Open Road). ©2013

THAT JUST SOUNDS AS THOUGH SHE FAILED TO PROPERLY SET HER PRIVACY SETTINGS. PLUS, YOU SHOULDN'T FRIEND YOUR BOSS, RIGHT?

Well, that's a big question. Should you Friend your boss? Young people think that these hierarchies don't *really* exist, at least not the way they used to. But if he or she constantly sees drunken photos of you on Facebook, that *will* affect his or her impression of you. He or she may still like you as a friend but won't promote you as an employee.

IS IT REASONABLE TO EXPECT PEOPLE TO NOT SAY ANYTHING IN THEIR PERSONAL LIVES ABOUT THEIR WORK LIVES? AS LONG AS YOUR BOSS ISN'T YOUR FRIEND, AND YOU'RE CAREFUL ABOUT YOUR PRIVACY SETTINGS, WHAT'S WRONG WITH COMPLAINING ABOUT WORK?

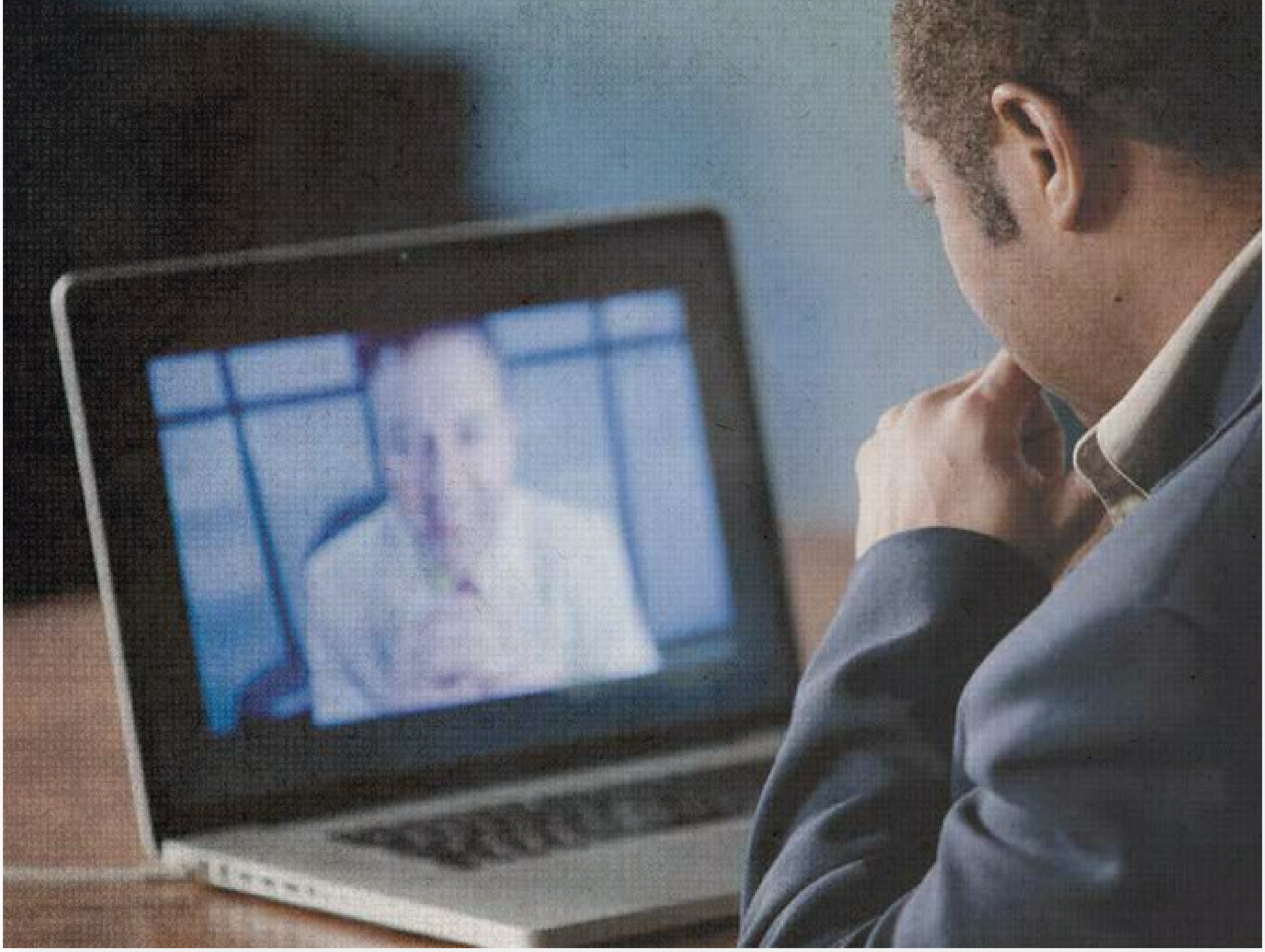
Well, I would say it's foolish to complain about it online.

NOT THAT *I* WOULD EVER COMPLAIN ABOUT WORK ON FACEBOOK.

You can *talk* about work there if you want to. But if you start complaining about it—if you're cursing about it, if you're putting people down—you're creating a not-very-positive image of yourself. And your boss may not see it directly, but other people may tell him or her about it. Why take the risk? There are just *so* many stories out there of people getting in trouble. And I would *not* trust privacy controls. I would not trust my career to technology always working.

HOW HAVE SOCIAL MEDIA, AND INFORMAL ONLINE COMMUNICATION, CHANGED INTIMACY IN THE WORKPLACE? DO PEOPLE NATURALLY HAVE THE SAME BOUNDARIES AS THEY USED TO IN THE OFFICE, OR DO THEY NEED MORE GUIDANCE?

They definitely need more guidance. Oftentimes they forget that there *are* boundaries, and they say things they shouldn't say, do things they shouldn't do. If somebody is dating somebody



in the workplace, there used to be a sense of keeping it private for a while, but now people go public so quickly, and then, three weeks later, they've broken up, and it's a little awkward.

JUST ONE MORE QUESTION, SINCE YOU NOTE ABOUT USING SKYPE: "DON'T STAY ON TOO LONG. REMEMBER THAT MEETINGS ON SKYPE SHOULDN'T GO AS LONG AS FACE-TO-FACE MEETINGS. BEING ON CAMERA CAN BE EXHAUSTING FOR MANY PEOPLE."

Yes—you're always a little concerned with how you're presenting yourself than when you're on the phone.

FACE-TO-FACE SEEMS MORE EXHAUSTING. AND YOU HAVE TO WEAR SHOES.

And underwear.

HOW MUCH DOES BUSINESS ETIQUETTE ACTUALLY CHANGE? DO WE REALLY NEED NEW AND IMPROVED ADVICE?

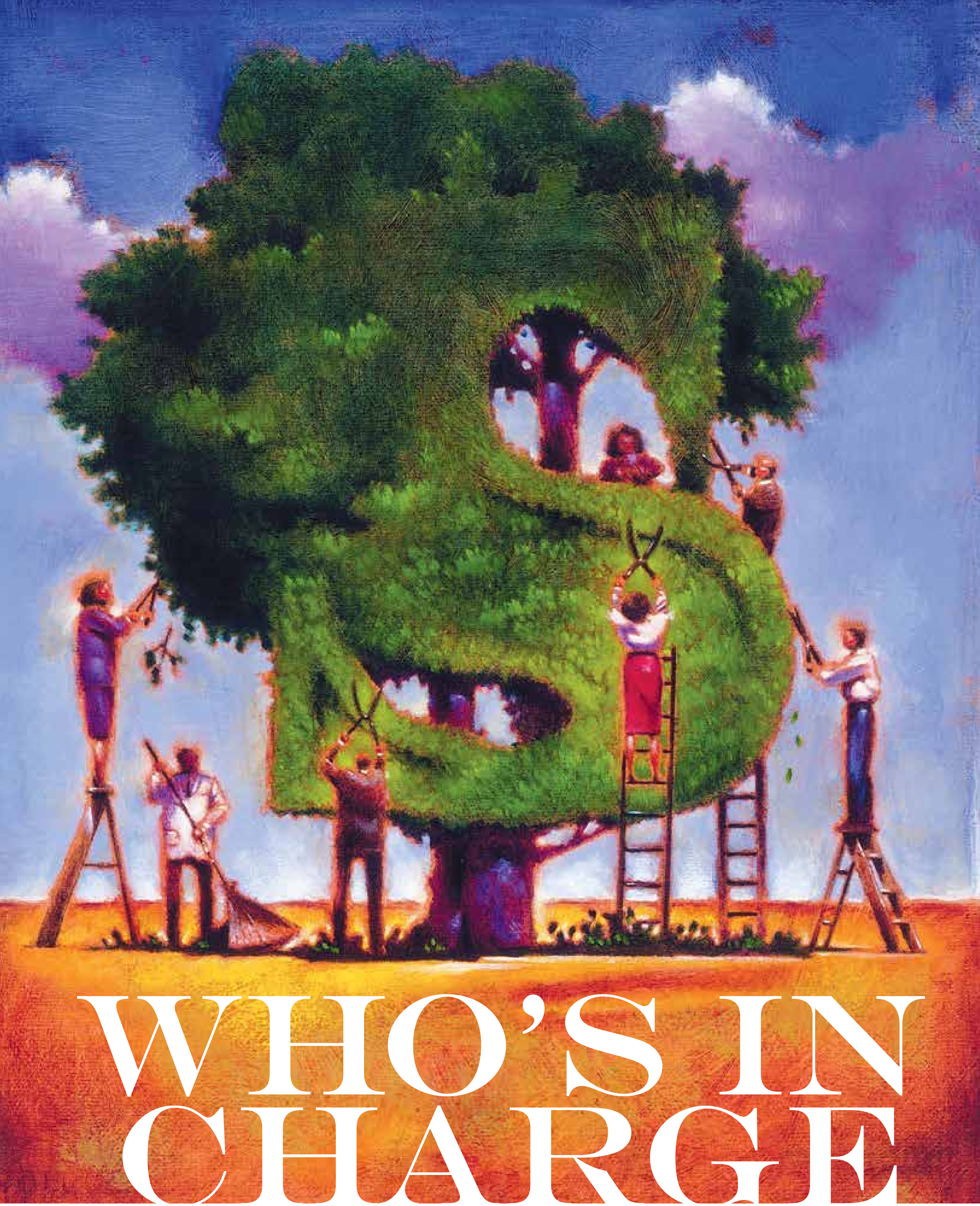
It's *always* changing. It's like a dictionary in that you're always adding new words and taking out old ones. My first etiquette book came out in 1995, and I barely mention email; there were no smartphones; there was no texting; business casual was discussed, but not in great depth. Fast-forward to now, and technology has taken over; casual dress has taken over. Business dining hasn't really changed—you still hold your knife and fork the same way as thirty years ago, or a hundred years ago. Staying sober is still important. The three-martini lunch has disappeared.

There's the whole area of gender etiquette. We didn't start thinking about how men and women interact in the workplace until the 1970s. All of a sudden, there's a lot more women and a lot more *high-ranked* women. And you take the social rules, such as who extends their hand, who pays the bill, is it OK for a man to carry a package for a woman—you take all that into the workplace, and there can be consequences that work against both men and women. We *definitely* need some guidelines.

And then there's international etiquette. We have become a global village. You can be on your best American behavior and still offend people and not even know it. With international etiquette, the interesting thing is that the questions are the same wherever you are in the world: what utensils do people use when eating; how do you exchange business cards. The questions are the same. Depending on where you are in the world, the *answers* are different.

SO IT'S NOT SIMPLY THAT EVERYTHING IS MOVING IN THE DIRECTION OF INFORMALITY?

Well, just because we're changing doesn't mean we're getting sloppy. It doesn't mean we're getting rude. ■



WHO'S IN CHARGE

VADIM LIBERMAN is senior editor at *TCB Review.* He wishes he were better at bossing himself around.

BOSSLESS ORGANIZATIONS CAN TEACH YOU HOW TO BE A BETTER BOSS.

THIS article is not about your organization, or any organization like your organization, because you have managers, who have managers, who have managers. That is, you work for a bureaucratic conventional company. But surely you've heard about bossless businesses that have rejected hierarchy to push corporate flatness to its logical end—or its illogical dead end, you might snicker.

Such companies are undeniably quirky—just try phoning to locate someone with a certain title or particular responsibilities. But many are successful, functioning efficiently and profitably, taking an untraditional route to accomplish traditional goals. By establishing a more egalitarian workplace in which employees plan, coordinate, and direct activities autonomously, they say, they benefit from increased motivation, engagement, loyalty, creativity, innovation, customer satisfaction, efficiency, productivity—you name it.

The common perception is that bossless organizations are, basically, consensus-based anarchist collectives that spend weeks debating every workplace detail, more concerned with experimentation than earning profits.

The reality is that they have products, services, customers, warehouses. Some have boards. All have bottom lines. Just like your corporation. They have chosen not *no* management but *self*-management.

Some are boutique firms with fewer than one hundred workers. Others are mega-corporations that have chosen to go beyond breaking down silos and erase the entire org chart. Perhaps the biggest is W.L. Gore and Associates, a multibillion-dollar giant best known for Gore-Tex fabrics. As CEO Terri Kelly told *The Wall Street Journal* years back, "We believe that rather than having a boss or leader tell people what to do, it's more powerful to have each person decide what they want to work on and where they can make the greatest contribution."

Another enterprise you may know, Semco, shares similar logic. As Ricardo Semler, the Brazilian engineering company's founder, pointed out twenty years ago in his book *Maverick*, "Bureaucracies are built by and for people who busy themselves proving they are necessary, especially when they suspect they aren't. All these bosses have to keep themselves occupied, and so they constantly complicate everything."

Now, bosslessness isn't, as some have termed it, a new trend, since it's neither new nor a trend. Apart from longtime evangelist Semler, there's no bossless bandwagon, and even if there were, no one would expect you to reshape your entire structure based on what, let's face it, will always be a fringe form of management. But understanding what it means to manage without managers elsewhere will make you challenge the way you've always done things—and that's a good thing. As it turns out, novelty firms may offer some novel ideas that you can incorporate into your own company without giving up your corner office.

BY VADIM LIBERMAN

DECISIONS, DECISIONS

You can't contemplate bosslessness without considering what it means to be a boss these days. At the most basic level, supervisors control subordinates. Some allow their people minor leeway in how—though not what—work gets done, but that's mainly because many job duties now demand skills of the mind rather than the hand. (See "Building Pyramids on the facing page.") Even so, an employee can raise an independence flag only as high as a manager decides.

That last word is key. Ultimately, a boss is someone who makes decisions. In a typical organization built on self-management—if any can be typical—everyone gets to make decisions to guide their work. Superpowers held by a relatively few individuals at conventional corporations are *everybody's* powers at other businesses: No one is a boss; everyone is a boss.

Some bossless firms boast that they're not empowering workers, since empowerment implies that senior management deigns to permit people to make decisions—rather, they, say, such authority is a natural right. Except that, as you know, that's not how things work. That some of today's organizations with missing managers once had more layers than an onion proves that granting worker autonomy smells a lot like what it obviously is—a decision by top management.

No need for socialism debates better suited for a college-dorm 3 a.m. hallway conversation. The salient point is this: Give employees resources to make decisions, and you no longer need managers. "Numerous tools allow today's generation of workers to communicate, collaborate, and crowdsource in all avenues of their lives," says HR consultant Dana Ardi, author of *The Fall of the Alpha*s. "People today want to work together in a flatter organization."

At Morning Star, a tomato processor with four hundred full-time and about 2,300 season workers, there are no bosses, no titles, just "colleagues." Now, plenty of traditional companies these days also call employees by similar generic titles—"associates" or "partners"—but everyone understands that they're still employees with neither autonomy nor major responsibilities.

Granted, Morning Star people have specific roles—e.g., production mechanic or industrial technician—but they're still foremost colleagues, on the belief that if you give employees specific titles, you confine them to boxes, crippling efforts to think outside of them. Other bossless firms, meanwhile, let people choose their titles. "If someone wants to call themself a lead developer, that's fine," says Ilya Pozin, founder of digital-marketing agency Ciplex. "It doesn't actually mean they lead someone else."

Morning Star's colleagues must annually meet fellow employees with whom they'll interact. Together, they negotiate mutual job expectations—dealing with sourcing, processing, pricing, shipping, everything—to draft Colleague Letters of Understanding. For instance, you might agree to sort or package or turn to paste or ship X tomatoes per week. Thousands of these pacts serve as a surrogate org chart and create formal commitments between co-workers that job descriptions handed from above never could. As Morning Star colleague Paul Green Jr. explains, "Things function more efficiently and effectively when worked out between colleagues because people know best how to do their work."

Meanwhile, Richard Sheridan, author of the forthcoming book *Joy, Inc.* and CEO of Menlo Innovations, a software-design firm, often speaks of how his 8-year-old daughter remarked that Daddy was "really important" when he brought her to work at his former company one day because people kept asking him to make decisions. "I realized I was a bottleneck," Sheridan recalls. As a result, he's now the boss of a bossless organization. (Ironic, right? But come on, did you really think that *no one* is sitting atop these companies? More on that later.) The company's project managers, for instance, do just that: manage projects, not people, acting more as team supporters and facilitators than supervisors to whom coders must report.

Likewise, when Pozin founded Ciplex, there were no managers because there were no people to manage. But with more money and more workers came more layers. "I've heard that right when you get to the thirty-third employee, hierarchy starts to form," Pozin says. "That's around when it happened for us." (Gore limits the number of employees at every facility to two hundred, to avoid what founder Bill Gore described as "we decided" morphing to "they decided.")

"Eventually, we found that managers were getting in the way of work getting done, so we wanted to unwind the structure," Pozin continues. "In a startup culture, there are usually four to five people who all want to meet the company's overall mission. You lose that when you have hierarchy, because people suddenly want to make their boss happy instead. They forget what they're working toward. Now we have no bosses, and people actually give a shit about the company."

Plus, since employees no longer have to CC for approvals, Pozin went from getting up to three hundred internal emails daily to about five now. "That in itself was amazing!" he says.

IN IT TOGETHER

The people near the top of any organization are, of course, the ones tasked with making the most consequential decisions, based on their experience and purported wisdom. Granted, senior executives are perfectly capable of screwing up, perhaps promoted beyond their abilities or maybe just tasked with running the wrong division, but it makes sense that they're the ones trusted with making decisions.

So how do bossless organizations make things happen? They spread decision-making broadly among staffers. At Valve, a video-game maker, the employee handbook explains: "Over time, we have learned that our collective ability to meet challenges, take advantage of opportunity, and respond to threats is far greater when the responsibility for doing so is distributed as widely as possible."

At a hierarchy, by contrast, as the caliber of decisions grows, the number of people making them shrinks, but the power held by them does not. Given the challenges of challenging authority, there's greater potential for titanic blunders when corporate titans make all the decisions.

In reality, while employees at bossless firms decide *for* themselves, they rarely decide *by* themselves. Often, they work in teams and solicit information and advice from many other, especially experienced, colleagues. Of course, the same happens at your company. At your table, however, castes of characters influence team

BUILDING PYRAMIDS

Ever since Egyptians erected pyramids, people have organized into management pyramids of their own. Hierarchy "appears to be a universal default for human social organization," write the authors of a paper titled "The Path to Glory Is Paved With Hierarchy."

Is hierarchy really natural? Think about that another time. The real question is whether a pecking order brings the good order to business.

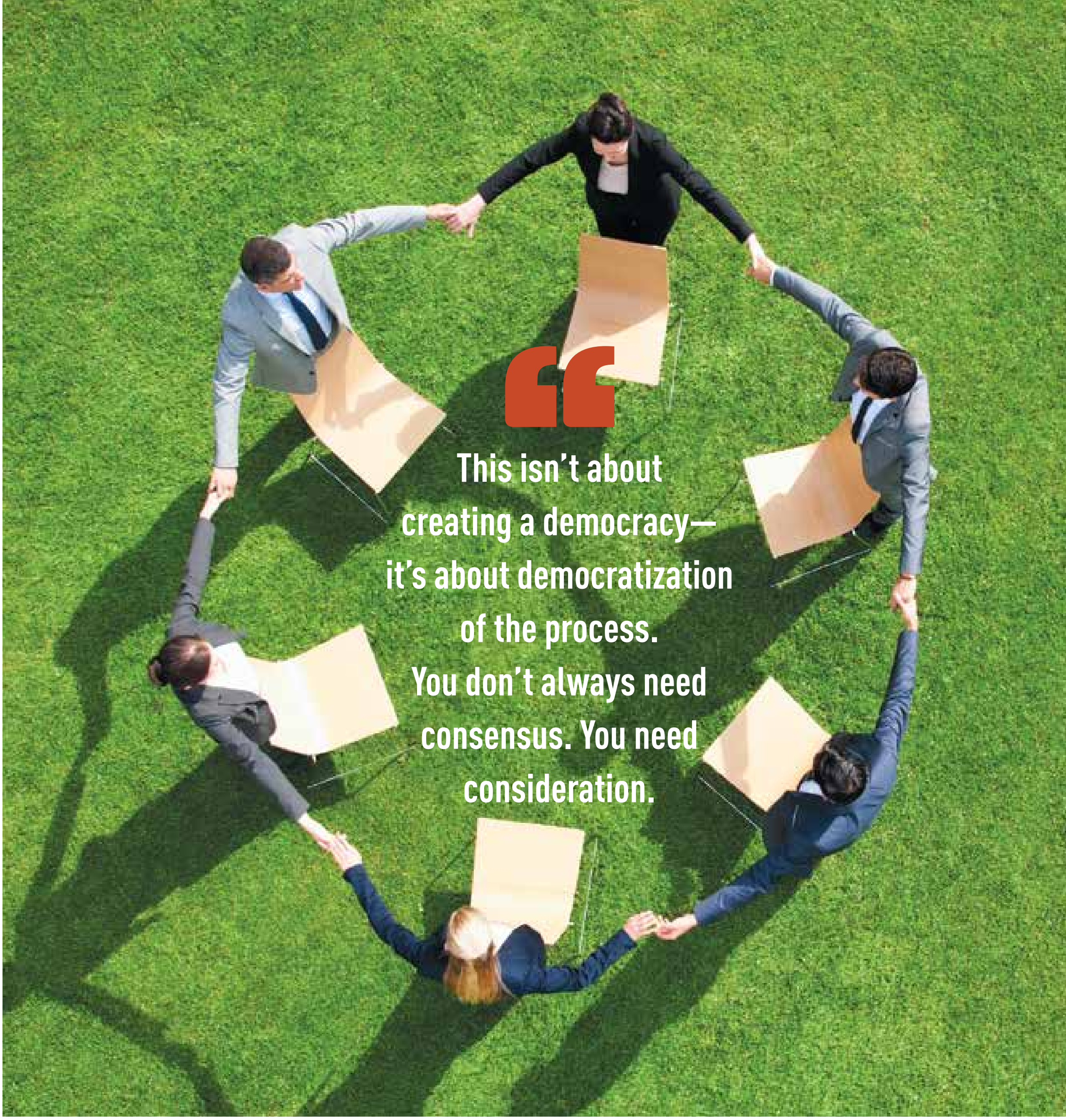
It can. Hierarchy simplifies planning and can effectively direct large groups of people. Ask a military officer, or an 1800s railroad exec. After the Civil War, rapidly expanding rail companies had to coordinate thousands of workers, while managing construction, pricing, distribution, investments, and logistics on a scale previously unimagined. The modern-day manager was born in a railway car before speeding into most other industries. Hierarchy enabled corporations to efficiently consolidate authority, communicate information, and implement plans. It worked so well for years to come—after all, if all you have is a hammer, all your laborers will look like nails—that few questioned it.

A disillusioned AT&T employee was one of those few. In 1970, Robert Greenleaf coined the phrase "servant leadership," a management style that shuns authoritarianism in favor of greater employee participation and influence over decision-making.

Who cares? That was the general reaction among business leaders—those who reacted at all. The lunacy that bosses were obstacles to success would have remained only that if not for the recession of the 1970s, when corporations realized that legions of middle managers are pretty expensive. But it wasn't until the knowledge economy gained momentum that companies didn't just feel financially forced to slash supervisors but genuinely began to believe that myriad management tiers created a bureaucratic burden on innovation and creativity.

We no longer live in the 1800s or 1900s or even 2000. Standardization and predictability have given way to constant change and more competition. Today, information is easier to distribute widely, and people are more educated to make decisions. Also, because machines now do work previously done by people, it's less sensible to treat people like machines. —V.L.

Give employees resources to make decisions, and you no longer need managers.



dynamics and meetings, and having the highest rank authorizes that executive (or someone higher up in the organization) to make the final call. At bossless businesses, project relevance determines who gets a voice, with a greater push for overall agreement. Sometimes this ends with a popular vote; other times, a CEO involves himself. The overarching point, Dana Ardi says, is that "this isn't about creating a democracy—it's about democratization of the process. You don't always need consensus. You need consideration."

According to Stephen Courtright, assistant professor of management at Texas A&M University's Mays Business School, teams of workers who feel empowered achieve higher performance than teams of people who don't. "In a group context where everyone has a shared sense of leadership, you get higher-quality decisions," Courtright says.

At Morning Star, all colleagues can buy equipment, hire someone, and spend the company's cash, but everyone usually first consults fellow colleagues, especially those with whom they've negotiated Colleague Letters of Understanding. "You might expect people to run around spending money, and that's happened, but most people approach purchases very cautiously because they know that others in the company will hold them accountable," Paul Green explains. "Your long-term success depends on making good decisions, so you don't want to look foolish." (With no centralized purchasing department, colleagues have worked together to create a list of suppliers to save costs.)

Of course, ideas are more infinite than money, so Morning Star requires detailed descriptions of intended big capital investments that a changing team of fifteen to twenty colleagues reviews. Though they act as a collective boss here, their main goal is to find funds rather than point thumbs

FITTING IN—OR NOT

"A bossless model can bankrupt a business so fast if you hire the wrong type of people," says Ilya Pozin, founder of digital-marketing firm Ciplex. Pozin may be talking about you. If you've worked for many years within a hierarchical system, it's not that you've come to accept that such a structure makes the most sense but that it's the only one that makes any sense. You probably never questioned its utility in the first place. It just is.

It's how things work. It's how you work. And if you've achieved some satisfactory level of success in your career, things have obviously worked well for you. That's precisely why a bossless firm may not hire you. Neither should you want one to.

"People who fit in well at bossless organizations measure their career by the number of creative, challenging projects they work on," says Stephen Courtright, a management professor at Texas A&M University. "If your goal is to climb a hierarchy, a flat organization is not for you." Indeed, self-management structures work best for entrepreneurial, intrinsically motivated individuals who take initiative, work well with ambiguity, and get along with others.

"Hey, that's me!" you're thinking. Maybe. And don't lie.

"When hiring, we tend to be very cautious and skeptical if you're coming to us from upper or middle management in another organization," says Paul Green Jr. of California-based tomato processor Morning Star. "You spend years learning how to become a winner in a company like the one you're leaving, and then you come to a place like ours, and ultimately you can't cut it because you're not a cultural fit." That's why Valve, a videogame developer, states that hiring "is the most important thing in the universe. Nothing else comes close. It's more important than breathing."

"When we hire outside people and get them to talk about their values, they'll say 'I'm a people person. I believe in teamwork,'" W.L. Gore CEO Terri Kelly told *The Wall Street Journal*. "But when we put them in our environment and strip away their positional power, it can bring them to their knees—because they hadn't realized how much of their success was a function of their position and power and their ability to command and control."

At many bossless organizations, a slew of colleagues—up to twelve at Morning Star—usually interviews candidates. Often, one's hard skills take a backseat to what software-design firm Menlo Innovations calls "kindergarten skills": Will the person play well with others? Is the individual naturally curious about things?

Some years back, when Ciplex transitioned from a hierarchical to a bossless structure, the company lost about a quarter of its staff. "Some people took advantage of the freedom in a negative way; others didn't know how to perform, so people either left or we had to let them go," Pozin recalls. He also remembers a former sales head who left the company because he preferred to hire people whom he could control more. "It seems like traditional companies sometimes look for people who could be managed, who respond well to control," Pozin says. "People who are more self-driven scare some organizations that have built a whole structure around a need for employees to conform."

Unfortunately, realizing that people don't fit in can take more time than companies prefer. "Sometimes you end up having people who aren't internally motivated hanging around in corners," Green says. "At other companies, there's a boss responsible for that person, but we don't have a structural way to spot a poor performer quickly. Things can fester, but I'm not sure how to fix that other than encourage people to speak up more."

—V.L.

either direction. Additionally, various departments present strategies once a year in front of all their colleagues, who then "invest" virtual money in the best plans. The results of such crowdsourcing aren't binding, but there's a lot of social currency at stake.

Sometimes, a good decision is a fast one. The decision-making process at bossless organizations may be less efficient upfront, Gore's Terri Kelly admitted to *The Wall Street Journal*, but she explained, "In many organizations, leaders make quick decisions, but don't understand that the organization isn't behind the decision—half the people don't know why the company is moving in this direction, and the other half is pulling in the opposite direction—either intentionally or unintentionally. So if you think about the entire process of decision-making and implementation, our approach is faster, because by the time you get to the decision, the whole organization is behind it, rather than just a few leaders."

Besides, say evangelists of bosslessness, most decisions take longer in pyramid corporations as executives kick cans down endless clogged roads of approval before someone finally resolves to turn the light red or green. "Anybody who's read *Dilbert* realizes that it's the smaller, day-to-day decisions that frustrate workers the most because of some corporate policy or procedure," says Morning Star's Paul Green. "It saves a lot of time and energy when people can make their own decisions." Increasingly, big corporations realize this; Southwest Airlines, for instance, famously allows frontline workers to act without running to Dad.

"I think I'm perfectly good at making good decisions by myself," Richard Sheridan says, "and there are certain things that go more slowly because I don't just say, 'Here's where we're going.' The tradeoff is that by utilizing our collective brainpower, we come to better decisions and better buy-in."

LEADERS WITHOUT BOSSES

"Is this whole bossless thing bullshit?" Ciplex's Zach Ferres recalls colleagues asking. You can understand their skepticism. "People need managers to be productive," insists Kathryn Shaw, the Ernest C. Arbuckle Professor of Economics at Stanford Graduate School of Business. "You can do

with fewer bosses, but not without bosses altogether. They're indispensable for teaching, monitoring, and motivating." Bossless organizations, however, believe that everyone should fill these roles.

All of which might make bossless workplaces appear utopian, until you read remarks by some ex-employees, like this: "The one thing I found out the hard way is that there is actually a hidden layer of powerful management structure in the company and it felt a lot like high school." Naturally, every enterprise has former workers with varying reasons why they're exactly that. Nevertheless, some critics worry that it's not high school that a bossless workplace risks resembling but *Lord of the Flies*.

Some cite an academic paper titled "The Path to Glory Is Paved With Hierarchy," which claims that hierarchy reduces conflict and produces higher productivity. The authors argue that when you put high-power individuals together on a team, each jostles for greater control, increasing discord. To improve group productivity, teams require hierarchy.

Not so fast. The paper features a lot of mumbo-jumbo about chickens, testosterone, biology, and experiments using college students. It doesn't, since the authors don't intend to, judge a business's overall management structure. In fact, in a system of established hierarchy, putting together teams of equals may cause counterproductive power plays because the structure itself forces co-workers to compete with each other. Sure, bossless workplaces can devolve into dystopia, but it's equally, if not more, possible for conventional corporations to breed their versions of Ralph, Jack, and Piggy.

Putting aside that tension can actually benefit decision-making, difficult disputes arise at any organization. When two workers can't agree at Morning Star, for instance, they pick a mediator; if that fails, they convene a jury of six colleagues to settle the disagreement. Beyond that, the company's president holds the determining gavel—though discords rarely reach that level, Paul Green says.

That said, there's still competition in bossless settings, not for titles but for respect and consequently influence. As Menlo's Richard Sheridan points out, "It's like playing

PEER MANAGEMENT

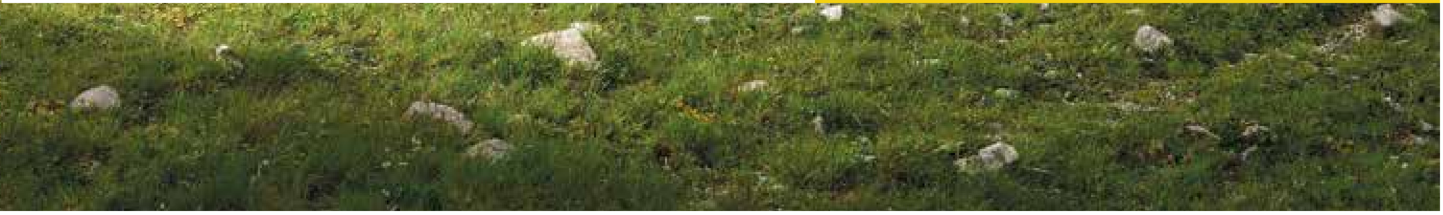
Bossless workplaces aren't about self-management so much as peer management. With no manager to appraise performance, your peers collectively become your boss when it comes to evaluations.

For example, at Morning Star, a leading tomato processor, fellow colleagues with whom a worker has signed agreements detailing each other's job expectations evaluate each other. However, Paul Green Jr., a company colleague, concedes that the organization struggles to ensure that co-workers don't dodge giving negative feedback. "It probably happens less often than it should," he says—just like at your own company.

At Valve, a videogame developer, rotating sets of peers interview everyone in the company annually to ask whom each employee has worked with since the last evaluations and how the experience was working with that individual. The company then makes the feedback anonymous before delivering it to each employee.

Meanwhile, there's no individual measure of performance at Ciplex, a digital-marketing firm—clients evaluate teams through weekly feedback. "As in sports, you win or lose as a team," explains founder Ilya Pozin. Sports metaphors seem to be popular: "You can have the best second baseman, but if others aren't playing well together, then everybody loses," adds Richard Sheridan, CEO at Menlo Innovations, a software-development agency, where team members regularly review each other. (And yes, it's possible for employees to collude with each other for higher marks, but such popularity contests play out more theoretically than empirically.)

According to Stephen Courtright, a management professor at Texas A&M University, individuals and teams perform better when peers, rather than a boss, determine raises and bonuses. And so at Morning Star, for instance, every employee has a base salary, but depending upon feedback from colleagues (and the financial performance of the business unit), there's no cap to how much one's income may rise. Menlo, meanwhile, has a pay-grade hierarchy, but advancing through it results from peer evaluation, "not by making sure you look good in front of some boss," Sheridan says. Finally at Valve, each project or product group ranks its own members to determine a person's relative value and, consequently, compensation. —V.L.



baseball. You earn greater respect by becoming a better first baseman, not by trying to take someone's position as catcher."

Dana Ardia adds: "*Boss* is an antiquated word. We're talking about leadership. In flatter organizations, people are encouraged to be leaders in their own areas of expertise."

Granted, bolstering abilities is also a route to leadership at traditional corporations, but not always. In a hierarchy, bosses are not necessarily leaders and leaders are not necessarily bosses. The former occurs when managers haven't earned the esteem of others; the latter happens when individuals are able to influence peers despite a title. Ideally, companies should promote leaders to bosses, but again, that's not how it always works.

So if leading is more important than, and independent of, bossing, why have bosses?

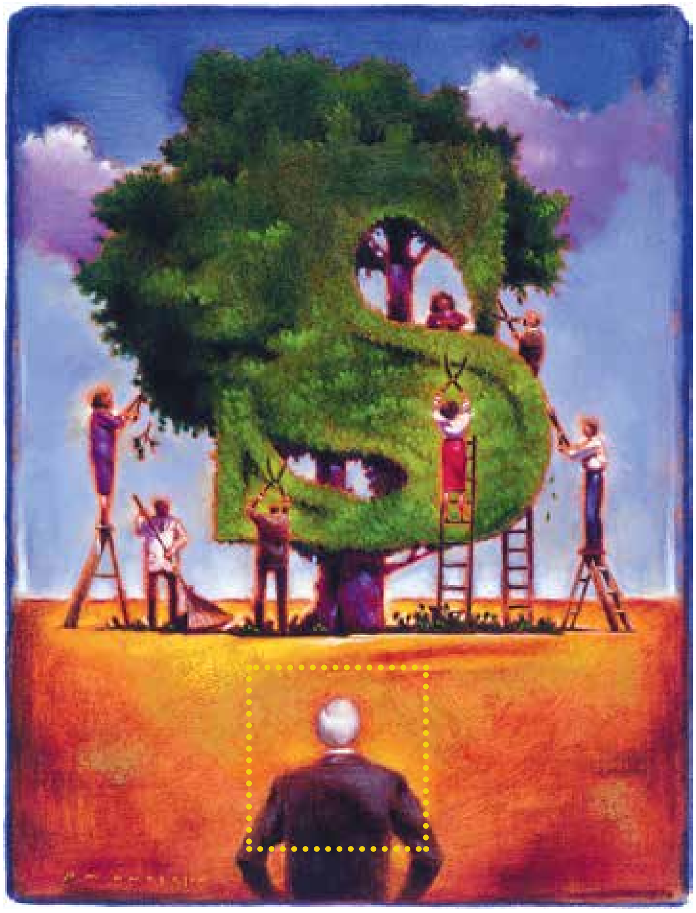
As Stephen Courtright says, "In a bossless office, you don't get rid of leadership—you get rid of hierarchy. It's easy to lean on formal authority to motivate people, but one of the biggest predictors of being a good leader is being able to influence others without that authority."

No one arrives at a bossless organization a leader. Since you can't force obedience, you must earn followership. Morning Star points out: "Leadership roles must be cultivated and earned. Those who are willing to pay the price of developing high-quality relationships and exhibiting leadership qualities by excellent performance, modeling exemplary behaviors, communicating, envisioning, initiating and caring will be viewed by colleagues as leaders."

"We have no illusion that everyone is equal in terms of abilities and contributions," explains Morning Star's Green, "so hierarchies will form, but they're informally based on your social capital. When colleagues call meetings and nobody shows up, that's very telling. You realize that you don't yet have their buy-in." Only when individuals have demonstrated expertise and eagerness to coach, guide, and inspire others do they win peer admiration. Good mentors become good leaders.

"Traditional organizations often establish mentoring programs, but they only last for a few weeks," says Menlo's Sheridan. "People can never keep appointments because other priorities come up, so the program fizzles." At Menlo, everyone must be mentor and mentee to succeed.

Leaders in bossless environments also typically take on duties outside their regular work. Morning Star designates people to help coordinate communication, mediate conflicts, and identify areas of improvement—roaming HR proxies, minus the right to discipline. At Ciplex, teams have "scrum masters" who help move things along, but as Zach Ferres states, "A scrum master does not tell people what to do or how to do it."



"If leading is more important than, and independent of, bossing, why have bosses?

Meanwhile, even chief executives are sometimes subject to the "voice of the organization," as Terri Kelly puts it. In 2005, she became CEO after the company's board pooled employees to pick their next leader (people were able to name any worker). Would your CEO win a similar vote?

AVOIDING CHAOS

In Valve's handbook, a glossary lists "Gabe Newell—Of all the people at this company who aren't your boss, Gabe is the MOST not your boss, if you get what we're saying." You get it: Newell isn't but kind of is but not really but sort of is boss, but let's be real—only a boss can declare that he isn't a boss.

Just like at traditional organizations, a bossless workplace's top boss establishes the company's mission, sets general strategic goals, settles major disputes, and acts as the corporate face. Though a chief executive may wear the crown, he dons a robe that signifies a more collaborative role.

"A CEO in a bossless environment provides parameters so that it's a lot less likely that individuals will make decisions that will be contrary to the organization's interests," Courtright says. "The CEO doesn't step back and say, 'Do whatever you want.'"

Actually, some do. At Valve, Newell doesn't tell anyone which projects to work on. Rather, the company encourages workers to think about where they can add value most. Valve points out that while "other companies have people allocate a percentage of their time to self-directed projects"—undoubtedly a reference to Google's recently killed "20 percent time" and to what Gore's founder once called "dabble time"—at Valve, "that percentage is 100," says the company. "Employees vote on projects with their feet." You work on what you want to work on by . . . working on it.

Similarly, as Brandon Keepers, a software developer at GitHub, writes on his personal blog, every employee "has the responsibility to sell their ideas to the rest of the company. I quickly learned that if I can't get anyone else interested in the project that I want to work on, then either I poorly articulated my vision, or more likely, it does not benefit the company."

That sounds nice, but if employees are working through their own Choose Your Own Work Adventure novels, how does a company prevent catastrophic endings?

Bossless firms generally reply that they constantly seek internal and external feedback, track results, and encourage communication among peers. If that seems like a weak strategy—if one at all—it is. Bossless organizations acknowledge that communication is a nagging struggle. "Our biggest challenge is figuring out how to create a dynamic of easy, open relationships horizontally. We opened up R&D sessions, hold webinars, have a retreat coming up. But this is still something we're trying to get better at," Ciplex's Zach Ferres confesses.

Ultimately, companies claim that it all comes down to hiring the right people. (See "Fitting In—or Not" on page 29.) When you have intrinsically motivated individuals devoted to a company's success, you no longer need all the checks and balances, carrots and sticks, meetings and more meetings found at hierarchical organizations. That logic is hard to prove, and hard to disprove. As Paul Green states, "I don't have any objective data to back this up, but more often than not, our way of doing things gets things right."

"If I'm running a nuclear power plant," says Thomas O. Davenport, a Towers Watson senior consultant and co-author of *Manager Redefined*, "I don't want people making certain decisions autonomously, without line of sight that only a leader can provide." Putting aside the possibility that studies indicate that empowering all workers can improve plant safety, Davenport isn't unreasonable in questioning the applicability of bosslessness. Obviously, it's impossible to cover every scenario of when and how a bossless structure might work, but one thing that certainly won't is firing all your managers—at least not right away.

Which isn't to say that dismantling a pyramid is impossible. Ciplex did it. But then, a digital-marketing agency with fewer than fifty employees is hardly P&G. Can't really see a big consumer-goods corporation suddenly take Wite-Out to most of its org chart, huh? "If a company already has a hierarchical structure and wants to adopt bosslessness, it can't just say, 'Let's get rid of all the managers and see what happens.' It will quickly fall apart," Kathryn Shaw warns.

Stephen Courtright offers a cautionary tale: Years ago, he worked with a manufacturing organization that adopted a bossless model. After training teams to self-manage, "the company set them loose," he says. "Employees loved not having a boss breathing down their throat, but they were so productive that they began to over-produce their product. Soon, there was a huge stockpile of unused inventory. The company gave them all the autonomy but no boundaries." Thus, Courtright suggests setting goals with people, then letting them decide how to meet them. "You can still do that in a hierarchy."

"If you're a big company, you don't blow up all the bosses," adds Davenport, who recommends separating disadvantages of hierarchy from values of local leadership "by more or less getting out of the way. Be available when people need resources, information, and guidance. Facilitate, but don't be an overt boss. Think of your role as a manager less as a hierarchical designation and more as a source of performance support."

"Many times, people look at companies like ours, with a lot of derision of traditionally structured companies," says Morning Star's Green. "It's hard for me to jump on that bandwagon wholeheartedly, to argue that many of the companies that we admire and whose products we use daily are doing everything completely wrong, so I wouldn't necessarily say that hierarchy doesn't ever work."

The goal is to make it work for you. Even though you work in a formal hierarchy, you can informally ignore it in some ways. Allow your workers more freedom to decide if not totally what then at least how, where, and when they work. Build smaller teams, without using rank to designate their leaders. Actually, try not to pull rank at all.

In other words, trust your people so they trust you. Your company may not go bossless, but you can still boss less. ■

DO IT YOURSE

ALEXIS OHANIAN SAYS THAT BOSSES MUST GIVE THEIR PEOPLE MORE AUTONOMY.

BY VADIM LIBERMAN

VADIM LIBERMAN is senior editor of *TCB Review.*

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THE PROBLEM with asking for permission, as you know, is that you may not like the answer. So don't ask, instructs Alexis Ohanian. Indeed, in many bossless workplaces, employees do not have to before making decisions, launching projects, and spending corporate funds. Not so in most organizations, which are built on a hierarchy of authorization—and that's a problem, argues Ohanian, who insists that companies will not be able to recruit and retain talent in the coming years unless they grant their people more flexibility in how they do their work.

In *Without Their Permission* (Business Plus), Ohanian shares the many lessons he's learned in becoming a successful serial entrepreneur. Mainly, the 30-year-old co-founder of the social-news website reddit says that doing things the old-fashioned way—that is, having employees seek constant nods of approval—is bad for business. At the same time, Ohanian understands that managers don't want subordinates subverting them. So his recommendation is simple: Don't want people acting without permission? Create a culture in which they don't have to.

A resident of Brooklyn, Ohanian spoke by Skype from a hotel lobby about how corporations should manage the entrepreneurial spirit within their walls.

YOU SAY THAT YOU WROTE *WITHOUT THEIR PERMISSION* TO INSPIRE AS MUCH AS INFORM PEOPLE TO PURSUE THEIR IDEAS. DO EMPLOYEES REALLY LACK INSPIRATION OR INFORMATION TO SUCCEED—OR DO THEIR ORGANIZATIONS HOLD THEM BACK?

Probably a little of both. At companies that have a traditional structure, where there is a lot of hierarchy, as an employee, it's a lot easier to fall into the typical 9-to-5 thing. You're doing glorified paperwork, really basic tasks, which isn't going to motivate you to do much beyond what you need to do just not to get fired. But what's so exciting is when you encounter employees who really love the work they do, who love coming in and seeing co-workers. You get a much better-quality product or service and better output from them, but you have to be willing to give employees responsibilities and comforts.

Certainly, at a small company where everyone wears a lot of hats, you have no choice but to give people a lot of autonomy, and most of the time, they end up succeeding. Even if you're not a startup, though, you have to realize that giving more autonomy leads to more productive employees.

YOU'RE BIG ON ENCOURAGING ASPIRING ENTREPRENEURS, BUT SHOULD AN ESTABLISHED COMPANY WANT TO HIRE PEOPLE WHOSE GOAL MIGHT BE TO LEAVE AND BECOME THE COMPETITION?

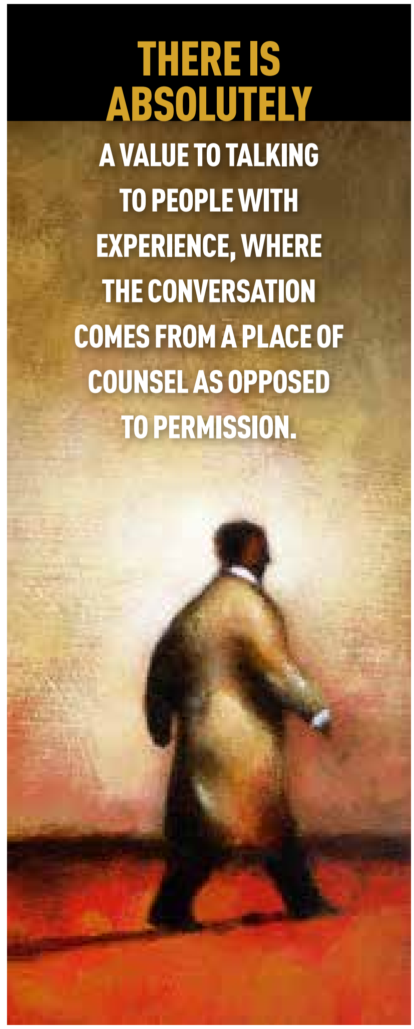
I absolutely think so. I have hired on this basis. Entrepreneurial skills are so valuable for employers. Besides, statistically, if you show me one thousand employees who were awesome and potential entrepreneurs, and I literally told every one of them every day to go start a company, a fraction of them will actually do it. That's because there's life, a kid on the way; they don't want the uncertainty. These are entrepreneurial people who aren't comfortable with being entrepreneurs, with being unsure where their next paycheck is coming from. But if someone turns around and gets a job someplace else or takes the experience and starts a company, I wish them the best of luck. I will probably be the first investor. It is not a zero-sum game. You have to adopt this kind of perspective.

For example, an early hire at Airbnb, who managed all the security and fraud detection, went and started a company based on all the things he learned, called Sift Science. Who do you think his biggest cheerleaders were? The founders of Airbnb. I've told employees, "Just let me know when you're going to start a company so I can invest."

I WANT TO ASK YOU ABOUT THE TITLE OF YOUR BOOK. YOU MAY NOT HAVE ASKED FOR PERMISSION IN YOUR ENTREPRENEURIAL EFFORTS, BUT NOW THAT YOU RUN A COMPANY, DON'T YOU WANT YOUR PEOPLE COMING TO YOU?

I don't advocate a totally permissionless setup. There are still overarching corporate goals at a macro level, but folks don't need to ask me for permission working on many projects. As long as we know the overall goal and I trust them and they believe they are using their best judgment and will stand by their decisions, great!

There's a certain amount of trust that we hand over to employees in exchange for autonomy. So far, it has been remarkable, in my own companies and those I've advised, how often this ends up succeeding. We see people develop and grow tremendously. It becomes really infectious and gets people really excited to be learning and trying new stuff.



BUT ISN'T THE POINT OF GETTING PERMISSION PARTLY THAT SOMEONE IN A POSITION OF AUTHORITY MAY KNOW SOMETHING BETTER THAN YOU DO?

There's an important distinction between seeking out advice and seeking out permission. It's not just semantics. There is absolutely a value to talking to people with experience, where the conversation comes from a place of counsel as opposed to permission.

MUCH OF THIS ASSUMES THAT PEOPLE HAVE GOOD IDEAS IN THE FIRST PLACE. DO THEY?

The ideas are not always good. Most of my ideas are pretty bad. And even when ideas are good, execution remains a challenge. The bigger problem is culture or mentality of avoiding failure at all costs that has been ingrained in us. Failure is the biggest fear for so many people. We are trained to worry about our GPAs and pass tests, and failure is not a part of the system. All we talk about are successes, but there's not a single success story that doesn't have tons of small failures along the way that no one really knows about. Whether due to a corporate culture that doesn't want to hear what an employee has to say or the chilling effects of an education system that doesn't encourage people to pursue ideas, a lot of potentially great ideas never get shared or executed.

I worked as a cook at Pizza Hut, and there were days when I had ideas for how to better prepare and more efficiently assemble pizzas, but my goal was just to get through the job. I didn't care if the rest of the Pizza Hut empire learned how to more efficiently put pepperoni toppings on pizza.

WHY DO YOU THINK COMPANIES DON'T ENCOURAGE THEIR EMPLOYEES TO SHARE IDEAS MORE?

I don't think there has ever been an efficient system, from a technical standpoint. A suggestion box or having a meeting with your boss—they aren't the most efficient mechanisms. And you can't advertise that you're open to ideas and put that in newsletters and expect people to believe it. But now, it's a lot easier to solicit new ideas and do knowledge-sharing digitally. The companies that are best at soliciting ideas have built systems to do this, from having an internal wiki to having a Yammer account.

The fact of the matter is that every executive could read this article and my book, love everything I have to say, and say, yes, yes, yes, this is what we need. And yet, what actually is going to make a difference is if they really, really do something about it. This is an age of ever-increasing transparency and candor. You have to walk the talk. You really have to trust your people.

There's a Boston company called HubSpot—full disclosure, I am an adviser. Their company culture is legendary; they put tools on the Internet that basically let anyone call out any executive for anything very publicly. They publish all of their internal financials for anyone in the company to see. There's also a financial-services company called Stripe. When I tell you that they publish every one of their internal emails online, it's kind of mind-blowing, right? A financial-services company that's so radically transparent? That's a culture of amazing trust. Companies that do things like this are going to be in a much better position in the decades to come. Meanwhile, you hear about transparency like this, and it's shocking! What does it say about our expectations when something like this is shocking? ■

CHINA AND INDIA EACH HAS A POPULATION OF MORE THAN A BILLION PEOPLE. THEIR ECONOMIES ARE POISED TO GROW TWO TO THREE TIMES THE RATE OF THE UNITED STATES', AND UP TO FIVE TIMES FASTER THAN EUROPE'S. And neither country expects to rest on past success—they are striving to move their products and services up the innovation value chain, realizing gains not only in export markets but in serving the rising needs in their own domestic markets.

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RESEARCH SUGGESTS: NOT YET.

■ RICH WELLINS is senior VP for Development Dimensions International.

Future success is hardly guaranteed, though—it depends on the quantity and quality of talent in the top ranks of the companies driving the countries' growth. And that quantity and quality vary widely in China and India—more widely, as it turns out, than in many other *countries*. It's no surprise that all over the world, organizations today are desperate for heroes—or that, all too often, the people promoted or hired to top positions prove unprepared for the challenges before them. Worse, their shortfalls are rarely seen coming until it's too late. Human capability, though, is only one player on the stage; context is the other. New evidence from over a decade of executive assessments is shedding fresh light on how, and why, executives respond when thrust into new assignments, and what can be done to better prepare and place leaders into the roles, and contexts, in which they will succeed.

In DDI's recent Global Leadership Forecast, we sampled HR executives and line leaders from more than two thousand companies. Results were illustrative of self-perception as much as preparedness. Compared to China, leaders in India are 100 percent more likely to report they have a sufficient leadership pipeline to meet their future business challenges. And Indian leaders rate themselves as far more effective in just about every major leadership skill area.

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Of course, survey data, particularly self-reported data, tells only part of the story and can be influenced by cultural values. We have discovered that in some countries (including India, Mexico, and the Philippines), survey participants may inflate reality (they are more optimistic), while other populations (such as Japan and China) may deflate reality (they may be less likely to "publicly" assign a high rating to certain types of survey questions). By contrast, data from our Assessment Center—the basis for this piece—is far more reliable and valid. It is based on observations of real behavior exhibited in the same set of assessment-center simulations used across both countries. And center outcomes have been shown to predict leadership performance in countless studies.

What does the data show about Chinese and Indian leaders?

* In most of the competencies, one-third or more of the assessed leaders have development needs. Regardless of country, there is ample room for significant improvements.

* India's leaders have significantly more development needs than do their Chinese counterparts.

* Indian leaders tend to think more strategically, and

entrepreneurship, which is strong, is the foundation of success of many Indian corporations. They are also likely to look at the bigger picture in determining the talent required to grow in the future.

* On the other hand, Indian leaders underperform their Chinese counterparts (by 10 percentage points or more) in many key areas, including coaching, business acumen, driving execution, passion for results, customer focus, leading teams, and global acumen.

* Chinese leaders tend to be good at bringing people together to execute an established strategy and meet the needs of their customers. But their inordinately strong drive for results leaves them less successful than their Indian counterparts in establishing strategic direction, entrepreneurship, building organizational talent, and selling the company's vision.

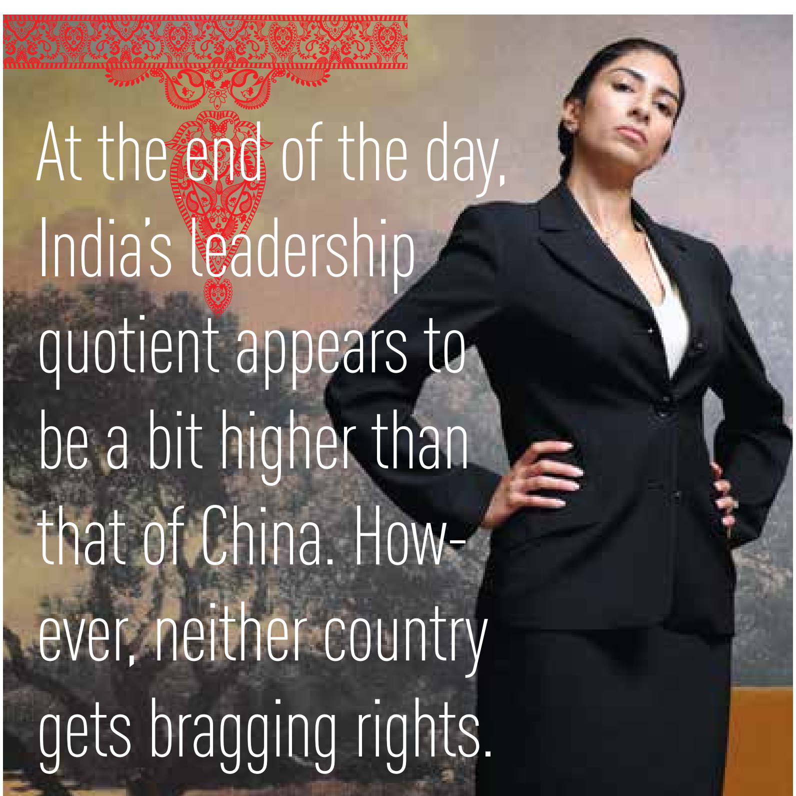
Chinese leaders tend to be reasonably self-confident. They will accept leadership roles without being overly competitive. Interpersonally, they will appear somewhat outgoing but may retain an argumentative style. They tend to be conscientious to a fault and to stay relatively current and up-to-date; they can be open to others' ideas but very slow to implement those ideas; they also may be highly volatile and quick to find fault in others. Finally, they may micromanage tasks and demand they be done a certain way—more than likely, the way they have been asked to do so by their superiors.

Indian leaders are also relatively self-confident, competitive, and ambitious, seeking out leadership roles. Interpersonally, they appear more outgoing and open to others' ideas, and more willing to consider changes. They are keenly interested in staying up-to-date and place a high value on formal education. On the other hand, they too are likely to be critical of others; at times, they will seem out of tune with colleagues' needs. They tend to micromanage tasks and demand tasks be done a certain way, but they are less dependent on superiors' guidance than are Chinese leaders.

At the end of the day, India's leadership quotient appears to be a bit higher than that of China. However, neither country gets bragging rights. Their stellar business success over the past decade appears to have happened in spite of extraordinary leadership rather than because of it. As one Indian CEO put it to me, "High-growth economies can cover up a multitude of sins."

This analysis leaves us with three key concerns:

* Leaders at all levels and in both countries will face a continuing need to operate in a high-growth global environment where cost of labor may no longer be a competitive advantage. It is an area that is relatively weak. We expect the challenge will be tougher for Chinese leaders, where there are fewer examples of best-in-class multinational operations.



* Tomorrow's currency of competition relies on innovation. The profiles (both behavioral and personality-based) paint a picture of leaders who are risk-averse and not overly open to change—not good innovation signs. And many lack the skills to foster a highly innovative work environment.

* Finally, Indian and Chinese CEOs who participated in The Conference Board's 2013 CEO Challenge survey ranked human capital at the top of their list of concerns. Indeed, nearly all of the top challenges listed are highly dependent on companies' ability to attract, develop, and retain highly capable people. And a highly capable workforce, is, in turn, largely based on highly capable leadership. For both China and India, having the right leaders in place at the right time remains both the biggest barrier and biggest threat. ■

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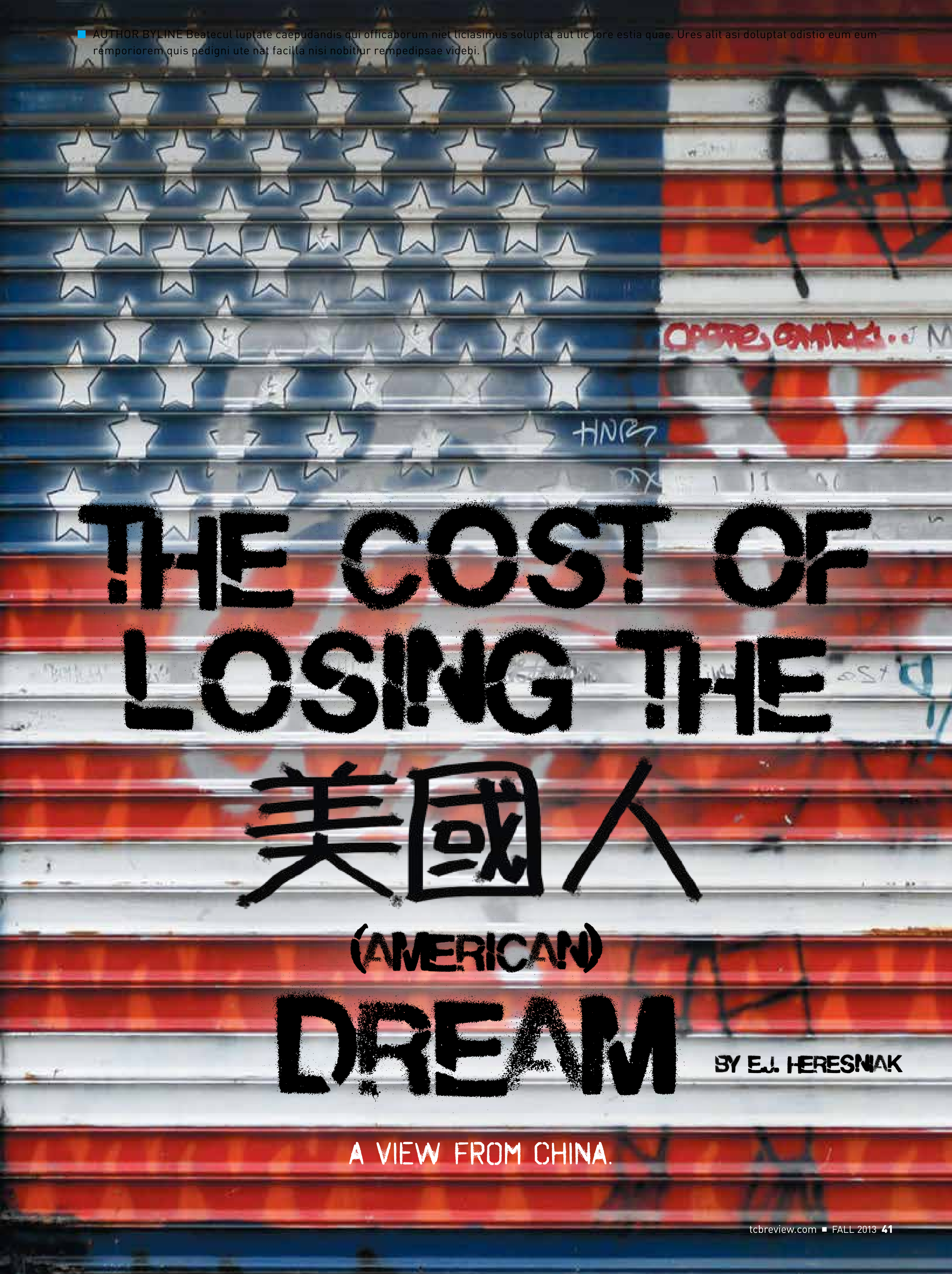

THE COST OF LOSING THE 美國人 (AMERICAN) DREAM

BY E.J. HERESNIAK

A VIEW FROM CHINA.

WHENEVER I GO TO THE U.S. CONSULATE IN SHANGHAI, I SEE A LOT OF CHINESE IN LONG LINES HOPING TO GET VISAS TO AMERICA. There are a lot of Chinese anyway, but for many, America is a dream destination—sometimes as visitors, often as prospective citizens. You get a fresh view of what America means to people when you live someplace else for a long time. On a wall of the small room that houses the U.S. Citizens Services section are posters with short civics lessons about how Congress works, how laws are passed, and the Bill of Rights—the first ten amendments to the Constitution.

To Chinese entrepreneurs and students, the words on those posters are more than just words, especially since China has a low tolerance for its citizens behaving like citizens. A lot of people here see the United States as a place where people are free to open a business and get educated and get rich and associate with whomever they want to, away from government scrutiny. That perception is a big part of what keeps bright young people crossing the oceans and keeping the American economy energized.

But recently, it seems that there has developed in America a public/private partnership messing with things that make my country so attractive to others, particularly to Chinese young people all too familiar with how their own country manages and controls their personal freedoms. The private part of the partnership is composed of the relatively new businesses spawned by the Web, powerful and famous publicly held companies such as Google, Facebook, Yahoo, Skype, and the rest. The public part began with the creation of the Orwellian-sounding Department of Homeland Security and more recently with the mother of all spy agencies, the NSA.

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As whistleblowers and press reports slowly reveal the extent of the infringement of freedoms, Americans are increasingly uncomfortable. In August, two small companies that specialized in keeping email private, Lavabit and Silent Circle, shut down rather than be in a position where at the behest of the government, they'd have to share confidential information without telling their customers. The guy who ran Lavabit said the Feds prohibited him from saying why he shut down, notwithstanding the First Amendment displayed prominently on the Shanghai Consulate wall. The guys who ran Silent Circle quit in anticipation of what could happen to their service. Also shutting down in August was Gorklaw,

■ E.J. HERESNIAK spent four years in Shanghai as vice dean of Shanghai Guanghua College and is currently working on U.S.-China cooperative ventures in the education business. His last article was "Down With Cultural Sensitivity," in the Fall 2010 issue.

AS WHISTLEBLOWERS AND PRESS REPORTS SLOWLY REVEAL THE EXTENT OF THE **INFRINGEMENT OF FREEDOMS** AMERICANS ARE INCREASINGLY UNCOMFORTABLE.

an award-winning legal-analysis site that relied on secure email exchanges from readers and anonymous sources to report on court cases and legal decisions. They quit because they couldn't assure confidentiality.

This was not the plan fought for by the boys at Bunker Hill, Bloody Angle, Belleau Wood, Bastogne, or even Benghazi. The Fourth Amendment to the Constitution: "The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated, and no Warrants shall issue, but upon probable cause, supported by Oath or affirmation, and particularly describing the place to be searched, and the persons or things to be seized."

That's pretty clear. I'm supposed to be safe from government snooping unless the authorities can convince a judge that I'm a likely criminal.

This assumption of safety and privacy and freedom is key to why the United States has for so long been a prime destination for ambitious citizens of China and other countries. But that perception is in real jeopardy, and no one knows the potential consequences.

“I DON'T KNOW WHETHER AMERICA
COUNTRY, IN EITHER PERCEPTION OR REALITY. IF

And as the Edward Snowden revelations have shown, the U.S. government has had plenty of private-sector partners aiding its crackdown. Consider that nearly all of us use electronic means to communicate and have long assumed that email is as private as snail mail. But we've learned recently that Google reads your Gmail and mine and uses the content to blitz us with advertising based on what we've written—and then uses other parts of its spying network to follow our activity around the Web. In August, word got out from a filing in a right-to-privacy lawsuit in which Google lawyers assert that nobody has the right to expect privacy in email and that Google may read and process all the content they want to. God only knows what else they may be doing with what they read of my mail.

Google and social-networking sites such as Facebook and LinkedIn have proven wildly popular, not a little dangerous, and frighteningly invasive. I don't like Google or anyone else reading my mail to ferret out advertising leads and then following me around the Web posting ads on places I go. And as we've learned, Google (and the others) have cooperated with my government to snoop on me and everyone else. Because of laws enacted presumably to protect us from a wild bunch of Islamist militants, nobody who uses the Internet, makes phone calls, or uses email is "secure in their persons, houses, papers, and effects, against unreasonable searches."

I don't give a damn what the Patriot Act says—until somebody changes the Fourth Amendment, no amount of Al Qaeda "chatter" trumps the Bill of Rights . . . right? Did I miss something during my time in China?

DISTINGUISHING BAD FROM BAD

When I came to China six years ago, *they* were the bad guys: the hackers, copiers, snoops, and even the ones who proposed that special chips allowing Beijing oversight of computer activity be put into everything sold in this country. For a few months in 2009, China was almost serious about requiring the "Green Dam-Youth Escort" software on every computer so Web-surfing could be free from pornography and other illicit content. The proposal for embedded content screeners got dropped (supposedly), when most computer makers objected.

I use a VPN over here not only to protect myself but also because a VPN remains the only way to get to sites like Facebook and YouTube, blocked within China though curiously advertised on government-controlled English-language CCTV. Chinese friends and students regularly joke about snooping and the Great Firewall.

When Chinese kids go abroad to study, the first thing most of them do is to get on Facebook. They can say anything they want on there, presumably free of the risk they run on Chinese sites. They hate it when they go home on holidays and can't share stories, photos, and experiences with their friends without inconvenient workarounds. Their perception is that, because the government reads everything and shuts down stuff to which it objects, China isn't free.

The Western press made a big deal when Mandiant, a security company based not far from my place in Virginia, traced Chinese hacking attacks to a secret unit of the Chinese army not far from my place here in Shanghai. Google, of all companies, represented the good guys: It stood up to Chinese government censorship and snooping, going so far as to relocate its business to Hong Kong. Google led the pack in independence and anti-censorship in China, seeming more protective of the rights of Chinese than of the rights of citizens in the United States.

I never dreamed I'd be looking for ways to duck Chinese-style intrusions to fend off entities such as Google, Facebook, and the NSA. XKeyscore, no longer secret because of a leak by either a traitor or a patriot—take your pick—is a keystroke-capturing mechanism that captures and saves "nearly everything a typical user does on the Internet," according to slides used in an NSA training class. I've worked in enough big bureaucracies to know that any NSA analyst can indeed look at my stuff (or yours), blithely ignoring the protections of the Bill of Rights. It didn't take long for word to leak that some NSA staffers were snooping on ex-girlfriends. Maybe all the ex-girlfriends were emailing guys in Yemen.

LET FREEDOM RING

America has been a mecca for a long time. It's not the food, TV commercials, or amoral, tone-deaf politicians. It's not Purple Mountain Majesties, Fruited Plains, or even Mom and Apple Pie. It sounds corny, but what makes America a beacon for so many, and for Chinese in particular, is the American Dream of equality, freedom, and opportunity, until recently the perception of which was unparalleled certainly in China and in most other parts of the world.

Perceptions are important. The new leadership in China made a big deal about having a Chinese Dream; they stole that idea from us. Is there a British Dream? Pakistani? I know there isn't a North Korean Dream.

WILL STAY AN ACCEPTING AND ASSIMILATING
WE LOSE THAT, WE'LL LOSE A LOT.

I had the chance to show a Chinese colleague a little of the States this summer. After being in America for a month, she told me she felt like she fit right in and wasn't treated as a foreigner. She said that people were interested that she was from China, but it wasn't their main focus. She called her experience life-changing and can't wait to go again. What a great perception for a country to have—and maintain. Wherever I go in China, I hear, see, and feel foreign. *Laowai* (pronounced like "lou" in loud and "Y") is the Chinese word for *foreigner*; I've gotten so I can lip-read it.

I don't know whether America will stay an accepting and assimilating country, in either perception or reality. If we lose that, we'll lose a lot.

A former student now at the University of Arizona wrote this on his Facebook page: "I met a guy from China at my dorm and when he knew that I came from the same country, said: 'We are Chinese, we shouldn't speak English.' That reminded me that since I was in elementary school, I'd been taught that there are only two people in the world—Chinese and foreigners; it's like a solid wall between us. But I was thinking about what makes a difference between Americans and foreigners? Are Americans all the same in each aspect? The answer should be no. Americans are more likely people who come from each part of world regardless of ethnicity, race, country of origin, and talk in English while retaining their own culture and identity . . . at least this is how I think American should be defined. Different race, native language should not be an excuse for a barricade between people, should it?"

Well, probably not, and it shouldn't take a laowai in America to remind us.

According to China's Ministry of Education, more than 400,000 Chinese students studied abroad last year, nearly half of them in the United States. The ones I know picked American schools because of ranking first and the freedom to learn what they want from people who say what they think. Just about every U.S. school is after Chinese students because they pay full price, seldom qualify for aid, and in 2011 contributed $22.7 billion to the U.S. economy. Chinese students account for almost 30 percent of all foreign students enrolled in U.S. higher-education institutions.

Now, every Chinese parent who shells out thousands for their child's American education hopes the kid will bring home a degree from Harvard or U.C. Berkeley, naturally. But not everyone gets into top colleges and programs, of course. Of the alternatives, some are bogus; others bend rules to keep the money flowing. A series of articles in the *Chronicle of Higher Education* and *Inside Higher Ed* have documented how, because of the money, many American institutions are cheating as much as the Chinese applicants cheat in the admissions process.

This waters down the real value of an American college degree, although it's going to take a while before perceptions in China catch up. Most Chinese I know judge books by their covers and often

"WE'RE THE PLACE PEOPLE ARE DYING TO

never look inside. Nevertheless, perception, like reputation, is a funny thing: Once it gets settled, it's really hard to change—for good or for bad. Swelling enrollment of foreign students, along with rising tuition, have kept many American schools afloat. Australia lost a lot of Chinese students when four bogus schools went bankrupt; for many Chinese, that besmirched the reputation of every school in Australia.

LOSING LIBERTY

What if they stop coming? Not just students, but everybody else who is trying so hard to get in? What if people just stop coming because they discover we've lost our mojo and are as perversely sneaky, invasive, and controlling as the places they're leaving? What happens if the ideas incorporated by the smart people who started this place get replaced by the ideas of zealots who think all that late eighteenth-century stuff just doesn't fit in the twenty-first?

It's not going to happen overnight, no more than Rome lost its mojo overnight, or Spain, or the British Empire, or the Soviet Union. But it could happen here; maybe it's already happening here.

And I think it's different for us. We're the place people are dying to get into because of hope. Those other places never represented that. People never dug tunnels or floated on rafts or cooked up other schemes so they could experience the Inquisition or sneak into Russia. The Berlin Wall was a barrier for one-way traffic.

It's not a good thing that I'm more afraid at a U.S. airport security checkpoint than I am at any Chinese airport, including ones in the Xinjiang Uyghur Autonomous Region where terrorists actually strike from time to time. China is a controlled society. I've seen Chinese cops roust street vendors and hustle away would-be protestors. They can act like thugs and use a lot of physical violence, but Chinese cops often look like kids playing cops in ill-fitting uniforms, caps askew, wearing counterfeit Reeboks or Nikes. Rarely do you see a cop with a gun. The armed cops I've seen were in westernized Hong Kong and at border checkpoints near real borders, like with Kazakhstan and Kyrgyzstan. During major holidays or political events, the military will be around, some with guns, at major intersections and transportation centers. Occasionally I see cops with a drug-sniffing dog in the People's Square metro, but they hold leashes and radios, not guns. There is no Chinese version of the TSA running around setting up checkpoints at train and bus stations questioning and interfering with passengers *after* they've reached their destination, like I've seen happen in the Land of the Free.

I'm physically afraid when I go to a U.S. airport now. It's not the terrorists I'm afraid of—it's the people in the expensive uniforms who think they're all-powerful because they're following some asinine procedure. It's the worst of the *maitre d'* syndrome, where some clueless guy in a fancy suit gets off by making people trying to have dinner feel small.

The last time I was in Xinjiang, in a town that rarely sees foreigners, the hotel had to call the local police to handle the passport inspection when I checked in. After twenty minutes, two cops showed up all serious-looking, but a smile and an outstretched hand fixed that, and after the paperwork, they asked for photos together. A lot of the Chinese cop business is a front—not all, God knows, but a lot of it.

America, by contrast, has militarized its police to the point where pseudo-SWAT teams playing dress up in Kevlar and plastic and armed to the teeth look more like they're trying to be Iron Man than public employees who serve

and protect. In the wake of any major incident, law enforcement turns public areas into armed camps, securing barn doors after the horse has gone. It looks even worse in TV clips overseas. A lot of America acts like the China I anticipated I'd be living in when my perception of China came from Lou Dobbs and CNN.

PRESERVING PRACTICES

China is not going to win this thing and put us out to pasture as has-beens. We're going to lose this thing on our own.

China is and will be all bollixed up by the more stupefying aspects of their culture for generations to come. Confucianism, the underlying system of ethical conduct that since the fifth century B.C.E. has guided Chinese society, has been co-opted by the Party and by leaders everywhere in China. They use it to sustain their power. It ain't changing anytime soon.

We're going to lose this thing because we forget where we came from, what made things work, and why we gave hope to the world. That's why.

A couple of years ago, I wrote a piece for *The Global Times* in Shanghai after a Chinese commentator tried to explain why it's so difficult for a foreigner to get a direct answer from a Chinese.

GET INTO BECAUSE OF HOPE.

He explained away Chinese cultural characteristics that can be infuriating for a Westerner and self-defeating for a people working hard to measure up. I thought he'd captured the country's backward-looking culture, in which obfuscation is cherished. I wrote that clear, candid, even contentious communication is a hallmark of effective management and good business practice. Evasiveness, reticence, misinformation, and silence are counterproductive—and they are all communications techniques inherent in Chinese culture. Having to ask someone an important question multiple times in multiple ways over a period of time may be part of Chinese culture, as the commentator suggested, but it's anathema to effective management. There's a reason why B-schools don't use examples from China to teach good management.

A lot of Chinese culture deserves keeping: importance of family, caring for parents, focusing on education, sacrificing for one's country. But too much of China is focused on the past. Almost any book about Chinese writing uses ancient fables to explain the meaning of Chinese character strokes. Looking backward to find the way forward is unlikely to lead to much risk-taking, innovation, or initiative, characteristics often lacking in Chinese management practice and in Chinese schools—and one of the major reasons Chinese kids go abroad for study.

Nobody has to extol the value to America of being a beacon that attracts the tired, poor or huddled masses yearning to be free. Except for American Indians and most African-Americans, everybody else or their ancestors came to America because it was a better place than the one they left. The amalgamation of so many people from so many places turned out as nowhere else. I think that's because of the ideas put together in the late eighteenth century by Jefferson, Adams, Franklin, Washington, and the rest.

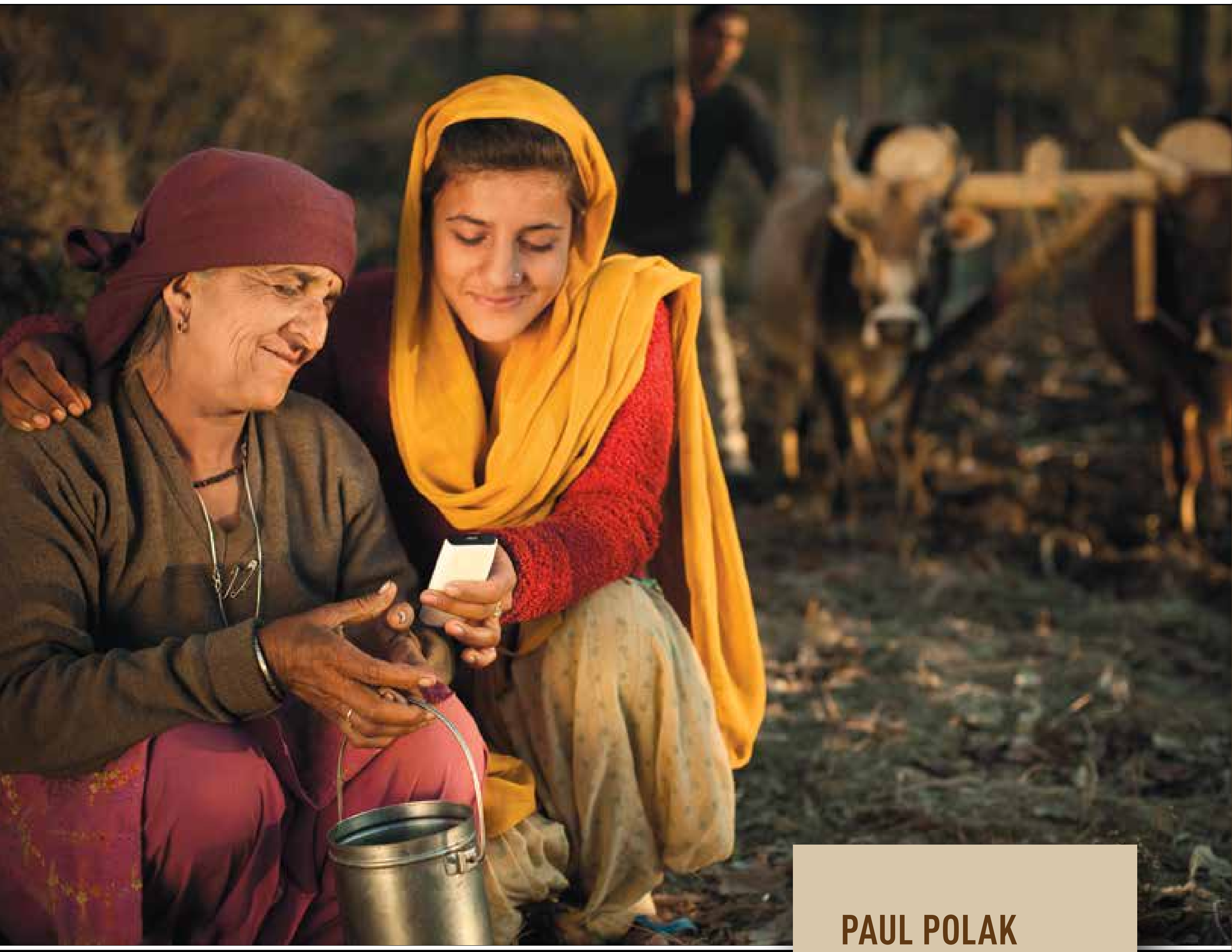
Chinese people fear their government in a very palpable way. I've been alone with Chinese who whisper when saying something suspect and then look around to see if anyone noticed. Until not long ago, Americans were the antithesis of this, and it's that freedom from surveillance—by government agencies or corporate information-aggregators—that has made the United States a desirable destination for those in China and elsewhere yearning to look forward, not backward. It's not only that people want to start businesses and get rich—that's a by-product.

When people get fat or grow old, it's a gradual process, and the day-by-day changes are hardly noticed. You wake up, look in the mirror and you look the same to you as you did yesterday. It's when you meet a friend you haven't seen in ten years who can't recognize you or look at photos taken a decade or more before that you realize what happened. Often you don't like it, but you accept the inevitable.

Nobody woke up one day to discover their mail wasn't private, their phones were tapped, or that all-powerful TSA goons were free to grope in exchange for a "privilege" that used to be everyone's right—to travel freely. And hundreds of opinions by Americans who happen to wear judicial robes and others who sit in legislatures have since put words in the mouths of the Founding Fathers that they never said or wrote. That happened gradually too. There's some grumbling, but by and large, we've accepted the inevitable and moved on. That's a terrible mistake.

We've let people change America and dull our beacon. Some may argue that the larger impact of the country's changes will be not philosophical but very practical and that thousands of would-be scholars and entrepreneurs may reconsider whether America is the place to be. That's certainly true, and no one can overestimate the enormous contributions of the multitudes who have brought their brains, brawn, and brilliance to America and made it a better place in every dimension. But ours was a "great experiment" that provided an environment beyond a fertile field—a petri dish for thought, creativity, and the pursuit of happiness without intrusion by government. Chicken or egg, we give that up at our peril.

Sometimes it's terribly hard explaining America to Chinese friends and students. What I usually say, and it's the only thing that makes me optimistic about America these days, is the observation by a Frenchman, Alexis de Tocqueville, who came to America in the first half of the nineteenth century to see what made it tick. "The greatness of America lies not in being more enlightened than any other nation," he wrote, "but rather in her ability to repair her faults." I tell my colleagues and students about that and still can point to examples where it was true—just not recent ones. I'm not sure it's still true, which, as they like to say in China, is a pity. ■



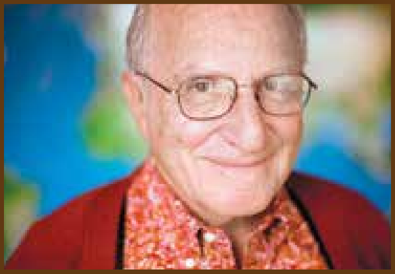
THERE'S STILL A FORTUNE AT THE BOTTOM OF THE PYRAMID

PAUL POLAK EXPLAINS WHY YOUR SURVIVAL MAY DEPEND ON WHETHER YOU PICK IT UP.

BY MATTHEW BUDMAN

MATTHEW BUDMAN is editor-in-chief of *TCB Review.*

MOST OF THE TIME, WHEN AUTHORS AND ACTIVISTS URGE CEOs TO CHANGE THEIR WAY OF THINKING AND DO THINGS DIFFERENTLY IN ORDER TO SAVE THE WORLD, THEY FACE IMMEDIATE SKEPTICISM: IS THIS REALLY ALL THAT IMPORTANT, AND WHAT CAN *WE* DO? BUT ENDING GLOBAL POVERTY IS, WITHOUT QUESTION, THE MOST CRITICAL PROBLEM SOCIETY FACES.



Paul Polak has spent the last three decades working to ameliorate poverty, and he's convinced that what works is not charity or government efforts but market-based development. "[T]he most direct solution for poverty is to provide poor people with jobs paying decent wages," he and co-author Mal Warwick write in *The Business Solution to Poverty: Designing Products and Services for Three Billion New Customers* (Berrett-Koehler).

Beyond the moral imperative of ending poverty, companies seeking growth will need to look to new markets, and no market could be newer than the 2.7 billion people currently served by no one—people in need of clean water, renewable energy, affordable housing, accessible health care and education, and, most of all, jobs.

Thirty years after founding iDE, a still-thriving development-based nonprofit aimed at improving the lives and opportunities of rural farmers, Polak is actually gaining momentum. "If there's been one constant in success in this field the last thirty years, it's that it's inconstant," he says, "You have to keep learning and changing every day." In recent years, he founded Spring Health, which uses an enterprise model to bring clean water to small villages in eastern India, and set in motion several new social-impact multinationals, each intended "to transform the lives of 100 million $2-per-day customers and generate annual sales of $10 billion."

Ambitious? Wildly. But if Polak's efforts to lay out "a road-map to entrepreneurs and existing businesses interested in the bottom billions as potential customers" pay off in companies moving forward and raising the living standards of hundreds of millions of people, the benefits will be, well, global in scale.

Polak, 79, spoke via Skype from Golden, Colo.

WHEN IT COMES TO MARKETING TO PEOPLE WHO EARN LESS THAN $2 A DAY, THE FIRST PHRASE THAT COMES TO EVERYONE'S MIND IS "THE FORTUNE AT THE BOTTOM OF THE PYRAMID." BUT YOU SAY THAT COMPANIES THAT TRIED TO ACT ON C.K. PRAHALAD'S IDEAS GOT MIXED RESULTS.

I think C.K. Prahalad's concept, and that phrase, are brilliant, which is why boardrooms got excited about it. But the weakness in his book is that it was comparatively undisciplined when it comes to practical examples, and it's the examples that give marching instructions for how to do it. It's not a recipe for success.

Many of his examples were, first of all, not at the bottom of the pyramid at all. There's a big difference between people who earn $10 a day and people who earn $2 a day. One of the examples in the book was Jaipur Foot, which makes artificial limbs; it's a brilliant organization, but it's totally a charity; they *give* the limbs away. It's a breakthrough in affordability, but it's not a business. Then you have Casas Bahia, a company that sells furniture in Brazil and has a creative credit program. But they sell refrigerators and color TV sets—not exactly the mainstream products that $2-a-day customers will buy. On the other hand, the book talked about Aravind, a company that does cataract surgery and affordable lenses, and that is a perfect example.

What companies need to know is how to address the practical problems of last-mile distribution, affordability, scale, and serving dispersed customer groups. And on all that, *The Fortune at the Bottom of the Pyramid* is comparatively silent.

HAS THE LACK OF BIG SUCCESS STORIES LEFT MANY COMPANIES A LITTLE GUN-SHY?

I think so. It's hard to break out of the usual ways of thinking. The real transformations in business don't come from a continuation of conventional business thinking. When Henry Ford came up with a car for Everyman, the conventional wisdom in the automobile industry was to make really attractive cars for rich playboys. Nobody felt that you could create or design a car for the working man. They weren't aware of that market. If they had had a C.K. Prahalad, it wouldn't have helped. The industry needed a Henry Ford. And Henry Ford created the company that transformed transport by making it smaller and cheaper, along with a whole new distribution system.

My view is that a lot of the transformations in business have been based on revolutions in smaller and cheaper, miniaturization and affordability. It's hard to conceive of those transformations. The problems are not things that naturally spring to mind for companies in the current fields and markets that they're working in.

THE SCALE IS WHAT MAKES IT DIFFICULT. IN THE BOOK, YOU DEMAND THAT COMPANIES SET OUT TO "TRANSFORM THE LIVES" OF MILLIONS OF CUSTOMERS. YOU EVEN LIST THE SPECIFIC NUMBER OF MILLIONS. DO EXECUTIVES FIND THAT CHALLENGE EXHILARATING OR DAUNTING?

Well, people react very positively when I give a keynote talk somewhere, but reacting to a talk and doing it are different things. People in big business think it's an intriguing idea. But are they going to set aside $100 million to give it a shot? Probably not. That's the read that I get now. That may change. It needs to change.

THE RELUCTANCE ISN'T SURPRISING: IT'S ONE THING FOR A CEO TO SEND A TEAM TO AN EMERGING COUNTRY AND ORDER NEW PACKAGING ON PRODUCTS, AND ANOTHER TO FUND A NEW BUSINESS UNIT FOR FIVE OR TEN YEARS WITH NO GUARANTEE THAT IT'LL PAY OFF.

It really does require a transformation in thinking, and it's not easy for a corporation to do that. Ted Solso talks about how it was very hard for him to implement transformational change when he was CEO of Cummins Inc. Diesel-engine companies were prepared to fight the new government emission standards, and for a variety of reasons, Cummins said, "Not only will we not fight them—we will *beat* them." That took a tremendous investment and a real risk, but it ended up with Cummins being the leading brand in many markets for large diesel engines. That's a transformation within a certain market. It's not easy, or everyone would have done it.

There are models that have been tried in conventional business. Lockheed Martin's Skunk Works is a perfect example, with some major breakthroughs, like the Stealth bomber. The notion was: "Hey, this is really important, and we can't do it with our existing assumptions and our existing teams, so let's establish another unit." It's high-risk but high-reward. It requires a real disciplined ongoing learning process to be successful, and even then there's no guarantee.

> "There is a huge opportunity for a massive expansion of for-profit education systems. Look at India. The Indian school system, up to high school, is a disaster.

NOW, YOU ARGUE THAT TRANSFORMATION IS CRITICAL NOT ONLY TO CORPORATIONS SURVIVING BUT TO TACKLING THE PROBLEM OF POVERTY—AND THAT TRADITIONAL APPROACHES TO ENDING POVERTY, FROM GOVERNMENTS AND PHILANTHROPY, DON'T WORK. IS THAT BECAUSE THEY *HAVEN'T* WORKED, BECAUSE THEY *CAN'T* WORK, OR BOTH?

The overwhelming evidence is that they haven't worked. That doesn't mean that they *can't* work. For instance, philanthropy and government approaches have made a positive impact in health and education, and the data is very clear on that. Differently structured, aid could make a positive contribution. But to me, in the critical area for relieving poverty—increasing poor people's income—charity and governments have failed miserably.

We have to see how far market approaches can go, and that's never been put to the test. For example, there is a huge opportunity for a massive expansion of for-profit education systems. Look at India. The Indian school system, up to high school, is a disaster. Sixty percent of the families in the slums of Hyderabad send their kids to private schools for a fee of $4 to $6 a month. Those are lousy schools by our standards, but the families see them as a better option than the free schools offered by the government. So there's an opportunity for the private sector.

Companies have the opportunity to create a school that takes advantage of distance learning, for which people pay $7 or $8 a month and get really quality education. And there are plenty of models for middle-class schools—Montessori has a good brand name, and there are other very good international schools. Once there's a fully tested private system in place, spreading rapidly, the government will need to respond by improving the public education system. Let them both operate and see what works best. Does the Indian school system *have* to be a disaster? I would think not.

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OF COURSE, EVERYONE IS IN FAVOR OF ENDING GLOBAL POVERTY FOR MORAL REASONS. BUT DO YOU FIND THAT MOST EXECUTIVES UNDERSTAND THE LONG-TERM SOCIETAL AND BUSINESS BENEFITS OF REDUCING POVERTY?
Yes. But at the same time, the corporate leaders I know feel that it'll be a tough challenge to convince existing corporations to invest seriously in the $2-a-day market. Ted Solso of Cummins uses the oil-tanker-change-of-direction simile; he says the best way to make the transformation happen is to create the companies and *then* change can happen, and so far my experience has been along those lines.

BUT AREN'T WESTERN COMPANIES MOVING INTO THOSE MARKETS?
There's been a tremendous sea change in corporations investing in emerging markets; that's not a radical idea. But they have aimed mostly at middle-class consumers in those markets. The conventional wisdom is that, with some exceptions, you can't make money serving $2-a-day customers. And large corporations have a problem establishing profitable last-mile distribution and scale.

So what companies are doing is using corporate-social-responsibility efforts to address real poverty problems. The unfortunate trend is that, like greenwashing, they get good PR for doing good works but aren't taking poor people seriously as a market. A perfect example is Microsoft. The Gates Foundation has had a tremendous positive impact—with, of course, some spectacular failures as well. But when Microsoft comes up with products that are attractive and affordable to $2-a-day customers and establishes a mass market in those countries, that's what will make a serious impact on poverty.

AND AS YOU NOTE, COMPANIES HAVE OFTEN FAILED TO CREATE PRODUCTS AND SERVICES SPECIFICALLY FOR THOSE MARKETS—MICROSOFT MIGHT TAKE OFFICE, STRIP AWAY ALL THE FEATURES, AND TRY TO SELL A BARE-BONES VERSION, BUT IT'S NOT REALLY AIMED AT THE BOTTOM-OF-THE-PYRAMID MARKET.
You cannot take an existing product line and modify it as a warmed-over dish and sell it to $2-a-day customers. I've never seen that work. You have to go through a revolution in how you design, price, distribute, and market your products; you have to start with a totally different way of thinking. It's like learning to ride a bicycle backward—it's not impossible, but you can't learn how to do it by riding a bicycle forward.

For instance, in the educational arena, we have come up with a prototype for a programmable talking poster with a market price of $8 to $12. You touch parts of the poster, and it talks to you in your own language and provides the twelve essential components of a field that you need to master. If you're growing tomatoes and you need to learn the most effective ways of handling diseases, the poster will have pictures of diseased tomato plants, and if you touch the part of the poster that mimics the disease you're seeing, somebody talks to you in your own language. The poster has a chip in it, so you can put it in your laptop and get someone who speaks the local dialect to read the script, or you can change it from plant diseases to literacy training. It's the kind of thing that could have a major impact.

> **Unless Apple creates a $25 iPad for the bottom along with the aspirational iPad at the top,** I don't think they'll survive except as a boutique company.

Now, this is a whole different concept than taking Microsoft Office and making it cheaper. Most of these $2-a-day people don't have computers.

BUT THE PROBLEM FOR A COMPANY LIKE MICROSOFT IS THAT COMING UP WITH THE TALKING POSTERS, OR SOMETHING SIMILAR AIMED AT THE BOTTOM OF THE PYRAMID, REQUIRES STARTING FROM SCRATCH AND PUTTING IN A LOT OF EFFORT FOR SMALL GAINS, AT LEAST AT THE BEGINNING. MAKING IT A PRIORITY SEEMS A MORE APPROPRIATE PROJECT FOR A START-UP THAN AN ESTABLISHED COMPANY.

Yes, you have to start from scratch. But I see most big companies having to do this kind of thing—aiming at $2-a-day customers—to survive. Many of today's multinationals will have to establish a mass market outside the Western developed economies, and if they don't learn how to do that, they'll lose out to the companies that do. This is happening rapidly.

In automotive, Detroit was outmuscled by Volkswagen and Honda and Toyota, and they in turn are being outmuscled by Hyundai. Apple was the wealthiest corporation in the world, and they're getting a run for their money from Samsung; unless Apple creates a $25 iPad for the bottom along with the aspirational iPad at the top, I don't think they'll survive except as a boutique company.

Cummins—which, granted, serves middle-class customers—is an instructive example. They took a leap years ago and went to China on the heels of President Nixon's visit, and today, their profit is less than 5 percent in North America and Europe and 12 percent plus in China, India, and Brazil. Their annual growth is negative in the West and 70 percent in China, India, and Brazil. It's not rocket science to determine where their profitability lies.

And if you look at Unilever and P&G, Unilever has 45 percent of its markets in emerging markets, and P&G is working hard to catch up. Their products there have a huge market in $2-a-day customers. For them, it's a question of how to attack that market and how to distribute and how to do aspirational branding.

TRUE, AS YOU NOTE, THERE'S LITTLE ROOM FOR GROWTH IN TRADITIONAL MARKETS, AND, "A VIRTUALLY UNTAPPED MARKET NUMBERING 2.7 BILLION POTENTIAL CUSTOMERS IS SIMPLY TOO BIG TO OVERLOOK."

Exactly!

BUT MOST OF THOSE 2.7 BILLION HAVE ALMOST NO DISPOSABLE INCOME RIGHT NOW. DOES AIMING AT THOSE PEOPLE DEMAND LONGER-TERM THINKING THAN MOST EXECUTIVES ARE COMFORTABLE WITH?

Yes. There are opportunities for conventional-term profits, but this really does demand looking far ahead. In the long term, it's about disposable income—poor people develop brand loyalty now, and when they move into the middle class, you have a real edge with them. The other aspect is that most $2-a-day people are located, by circumstance, right next to a lot of untapped natural resources, and if you develop a strategy to tap those resources, then there are huge markets there that are not dependent on the disposable income of the poor.

BUT THE ULTIMATE GOAL, OF COURSE, IS TO INCREASE THAT DISPOSABLE INCOME. YOU NOTE THAT THE MOST EFFECTIVE ANTI-POVERTY EFFORTS ARE THOSE THAT INCREASE PEOPLE'S BUSINESS OPPORTUNITIES. A LOT OF US GOT EXCITED BY THE IDEA OF MICROLENDING. WERE OUR EXPECTATIONS TOO HIGH?

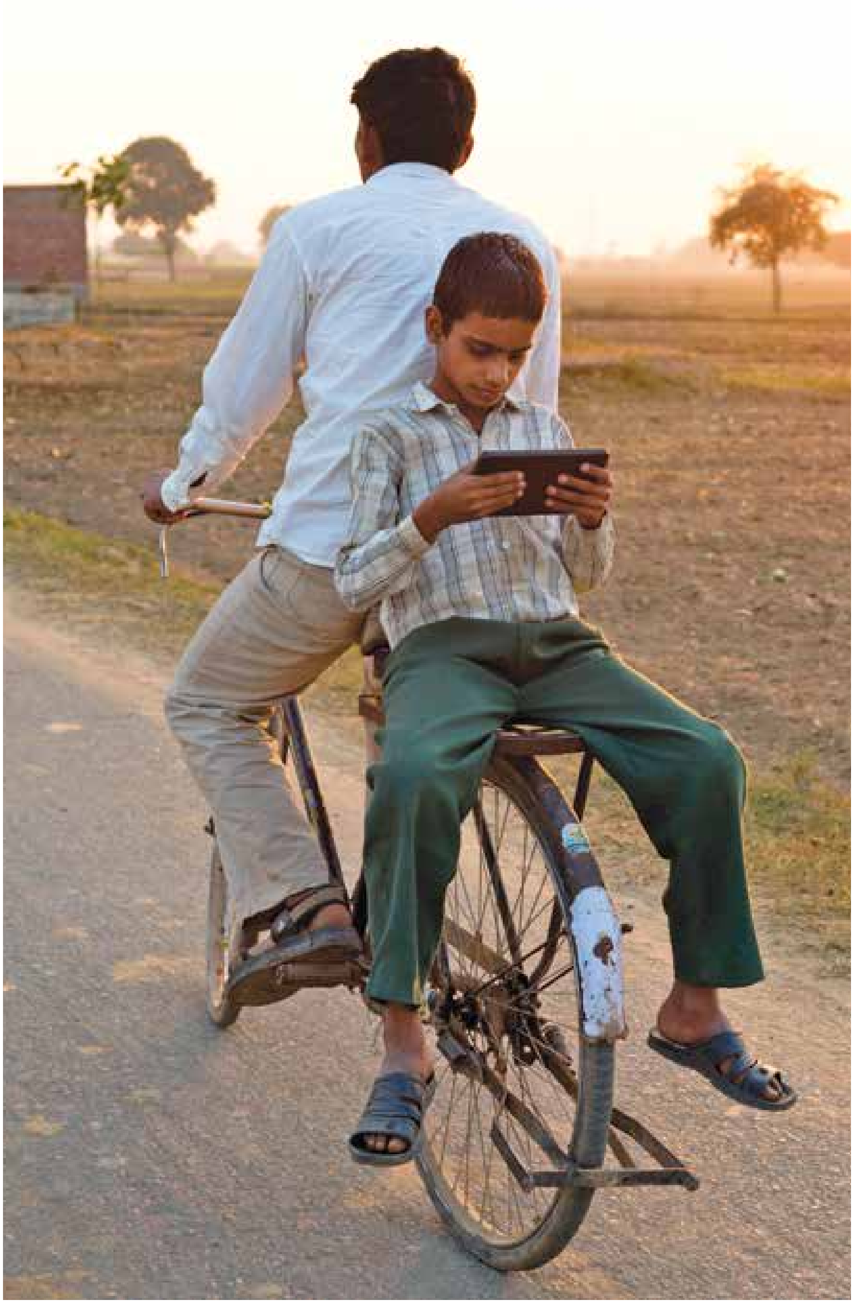
Yes. Microcredit was sold on the model of, say, a poor woman in Dhaka making a rice product and not having enough money for her business; when she gets money, she'll be successful. But the reality is that 80 percent of microcredit does not go to income enhancement; it's not tied to business. Whereas if you go to a bank for a loan in the West, the bank will want to know whether you have either enough assets that they can grab if the loan goes sour; if you're investing in a business, they do a pretty thorough evaluation of the odds that the business will earn enough money to pay the loan back.

You can go to a microcredit organization like Grameen and get a loan, but some of those loans go for family ceremonies or village ceremonies or dowries or family emergencies. You may be better off, but you ain't gonna get out of poverty. What the poor people I've interviewed have told me is that they're poor because they don't have enough money, and the way they're going to get out of poverty is earning more money. So if microcredit were tied to earning more money, it would be much more successful.

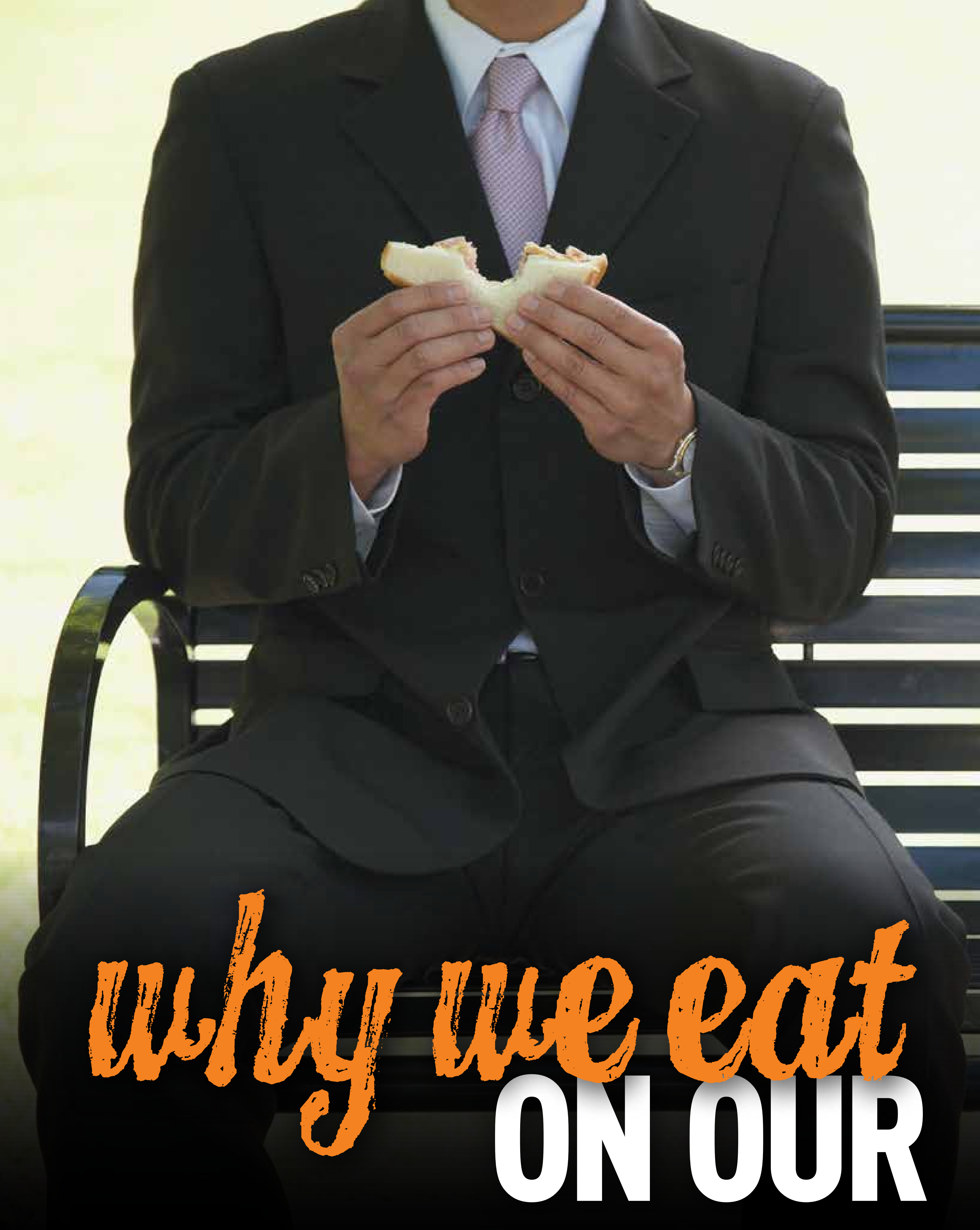
I HAVE TO ASK: IF THE SOLUTION TO POVERTY IS MOVING 2.7 BILLION PEOPLE—OR AS MANY OF THEM AS POSSIBLE—INTO A MARKET SYSTEM, WORKING AND BUYING AND SELLING, WON'T THAT BE A TREMENDOUS STRAIN ON NATURAL RESOURCES? CAN THE PLANET REALLY HANDLE EVERYONE LIVING COMFORTABLE LIVES?

There is a risk that people will overconsume. I think we have to develop ways of transforming expectations.

But many of these things are actually *improving* the environment. If you develop a last-mile collection system for torrefied biomass [heating organic material to make it a high-energy, low-emission fuel], that biomass will replace coal, which will lower carbon emissions. Every transformation has downsides, though. I'm not about to say that this is all gonna be good. Everything that I've ever done has good and bad. I think it will have more good than bad, and one of the key fallouts of moving all these people out of poverty is that virtually all of the population growth that's projected will take place in the $2-a-day group. It's obvious that when you get to a certain income level, the survival value of a big family drops out. I think it's around $800 a year in income, but I don't know. But if you move these masses of people out of poverty, perhaps the real balance in global population will be at eight billion instead of where it's projected now. That will have a profound effect on all of this.



Here's the risk, though, that's embedded in your question and in the process. We're learning that aspirational branding is an important part of last-mile distribution. Does that aspirational branding whet people's appetite so they will consume even more of the world's resources? I'm a great believer in building into these businesses the values that will preserve the planet, and ultimately, we simply can't afford to keep expectations of growth as high. There is huge untapped growth potential in the market, but once it's tapped, then what? The world will have to come to a transformation in consumption patterns, and we have to consume within the carrying capacity of the planet. I hope to build that into these companies. ■



why we eat ON OUR

■ ABIGAIL CARROLL is an independent author living in Vermont. Adapted with permission from *Three Squares: The Invention of the American Meal*. Available from Basic Books, a member of The Perseus Books Group. ©2013

sandwiches LUNCH BREAK

THE EVOLUTION OF THE AMERICAN WORKER'S MIDDAY MEAL.

by Abigail Carroll

When a French man traveling by train in the United States around 1890 could find no hotel or restaurant to dine in during a midday layover, he entered a small wooden building on the far side of the platform that bore a sign reading "Lunch Room." The patrons, he noticed, were eating pie. When the traveler inquired about the menu, an Irish waiter with a thick accent recited the options from behind the counter: "Peach poy, apricot poy, apple poy, and mince poy."

"Is that all?" asked the French traveler.

"What more do you want?" the waiter retorted.

The French man began to wonder whether instead of reading "Lunch Room," the sign on the wooden building should read "Beware," but it was too late now. To fill his stomach's noontime requirements, he ordered three slices—one each of the apricot, peach, and apple. Having anticipated a more substantial meal, perhaps like those he had enjoyed in England, he instead received the equivalent of a snack. "Lunch in America has not the meaning that it has in England," he remarked disappointedly. "In England lunch means something. In America, it does not."

Perhaps the American lunch failed to mean something to the French traveler because it was no longer the hot, robust, English-style dinner he expected. It was lighter, colder, cheaper, and quicker; as such, it was something entirely new. Dinner had undergone a transformation, shifting from the afternoon to the evening and becoming a formal family affair in the process. Dinner had also taken on significance as a symbol of American freedom and prosperity.

Lunch, on the other hand, followed an altogether different trajectory. It was not a traditional meal forced to adapt to the changing social and work patterns wrought by industrialization. In fact, it had not existed as a meal at all. It had to be invented.

The impetus for lunch was the vacuum that the newly shifted midday dinner left in its wake. A stand-in was necessary to tide the grumbling stomach over until evening, when one sat down to the main meal of the day. But there were obstacles to a midday meal, especially a traditional, dinnerly one, and the main obstacle was work. The Industrial Revolution had shifted work from the home and workshop to the factory and the office, and these new sites of production made returning home for a meal in the middle of the day increasingly impractical.

Solutions to the lunch problem varied and included the restaurant, the saloon, the dining club, the cafeteria, and the brown bag. Each option solved the problem in its own way, but not without ramifications. What one ate for lunch, where, with whom, and how quickly revealed clues about social status, and this information could serve as an asset or a liability. Members of the working class were more likely to lunch in corner saloons, whereas businessmen dined in exclusive downtown clubs. Because people now ate lunch in public away from their families, it was easier than ever to pigeonhole an individual according to his or her particular approach to this meal.

Those seeking to boost social status and build a professional network capitalized on lunch, strategically choosing where (and where not) to eat, as well as with whom. They were not the only ones to make shrewd use of the new eating occasion. Companies, trade organizations, women's clubs, and public schools all discovered they had something to gain by opening their own lunch services, be it prestige, uplift, status, profit, or social reform. Each molded the emerging noontime meal to serve purposes larger than the mere filling of stomachs, and their imprint remains formidable today.

Capitalizing on lunch

COMPANIES, TRADE ORGANIZATIONS, WOMEN'S CLUBS, AND PUBLIC SCHOOLS ALL DISCOVERED THEY HAD SOMETHING TO GAIN BY OPENING THEIR OWN LUNCH SERVICES, BE IT PRESTIGE, UPLIFT, STATUS, PROFIT, OR SOCIAL REFORM.

LUNCH CLUBS AND THE TIN DINNER PAIL

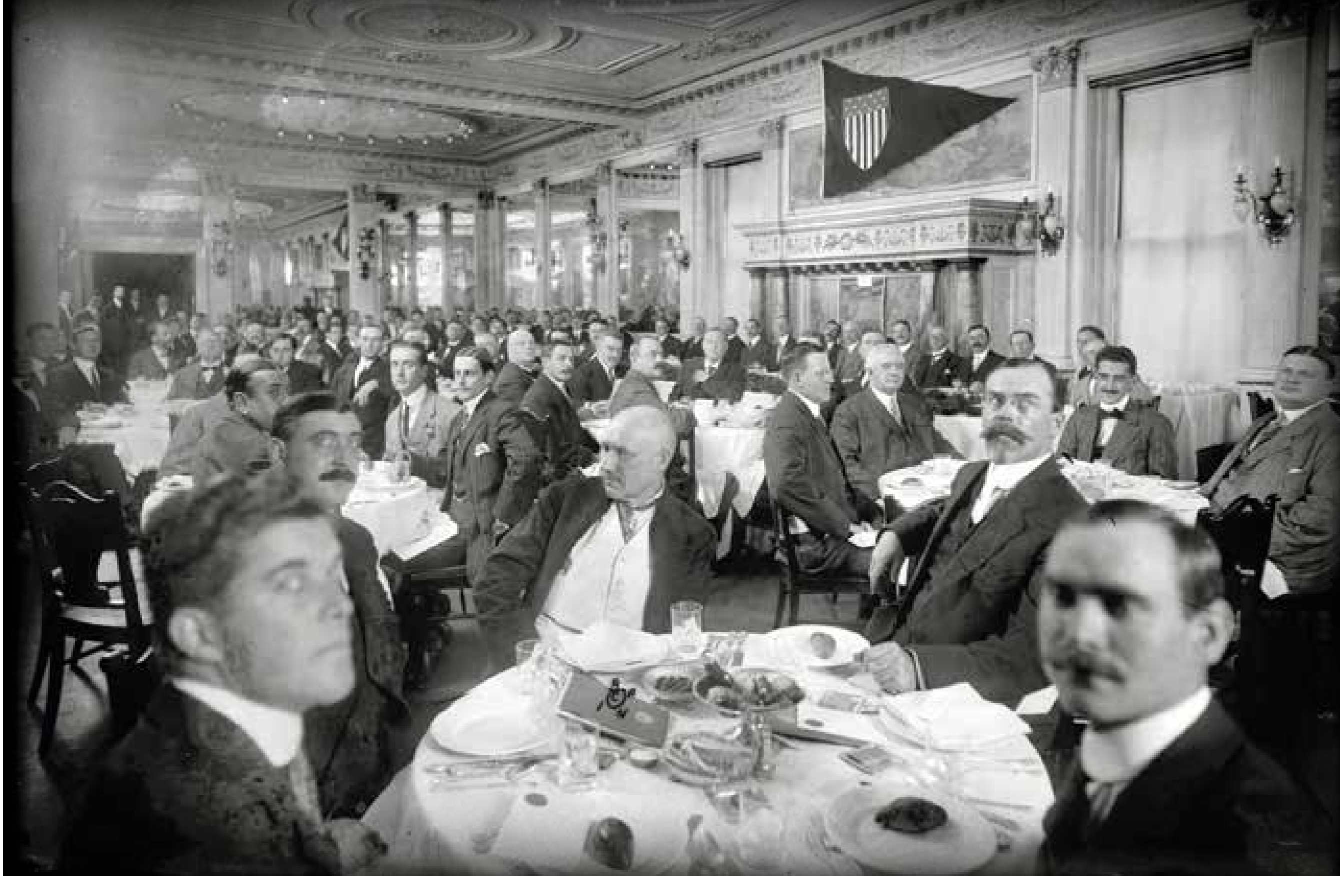
Once the lighter midday meal took hold, middle-class women found themselves freed from the morning duties of preparing (or overseeing preparation of) a major meal to be served in the early afternoon. With their newfound time, they frequently spent part of the midday visiting neighbors and friends, attending luncheons, or hosting them. Meanwhile, their male companions, who no longer returned home for dinner, increasingly dined with colleagues. In cities across the country, ambitious businessmen passed their midday hours in the smoky, oak-paneled rooms of elite lunch clubs. As early as the 1870s, and especially around the turn of the century, such clubs proliferated, offering men arenas in which to escape the demands of the office while simultaneously pursuing business relations in a relaxed and sophisticated atmosphere.

Lunch clubs frequently boasted professional affiliations: There was the Transportation Club for rail executives, the Underwriters' Club for insurance agents, the Merchants' Club for textile manufacturers, and the Press Club for newspaper and advertising men.

Dining clubs provided an exclusivity and tranquility that restaurants could not offer. They became ideal places to hold official business meetings, connect with colleagues from other companies, and engineer deals with important clients. "The lunch table has taken the place of the office desk as the battleground of big business," reported a 1909 article in a business magazine. "To sell a piece of property to a magnate by appearing at his office as an unknown," pointed out the same article, "is quite a different matter from selling the same property to the same man as the result of a quiet and informal chat over the lunch table as the guests of a mutual friend." It is hard to imagine a more elegant and esteemed place to entertain clients than under the oil portraits of famous authors at the Aldine Club or in the gothic interiors of the New York Lawyers' Club.

Although ambitious men at elite professional clubs dined leisurely and well-bred women at ladies' luncheons picked daintily, the majority of Americans consumed prosaically: They ate prosaic food in prosaic settings with the help of prosaic utensils and containers. Dinner had become special, and, partly as a result, lunch did not have to. For the majority of Americans, the new midday meal was no sacred family ritual; it was a practical solution to problems associated with the new approach to business. Inherently flexible, it simultaneously accommodated the demands of the stomach and the increasingly regimented stipulations of work.

As early as the 1870s, when lunch was yet to become lunch and the midday meal was still called dinner, workers were bringing cold leftovers to the workplace in cylindrical metal



> **"The lunch table has taken the place of the office desk as the battleground of big business.**

buckets to satisfy their stomachs in the middle of the day. In the decades surrounding the turn of the twentieth century, southern cotton-mill workers had their children ferry hot food from home to them in baskets. Until the passage of child-labor laws, these young and often barefoot "dinner-toters" typically took over running the machinery while their parents broke for lunch. In 1910, the steelworkers of Homestead, Pa., were still eating their main meal of the day in the mills and out of dinner pails. Thanks to wives and mothers who prepared and hand-delivered their midday sustenance, the workers were able to enjoy hot food—that is, until passes became necessary for entering the premises and made this practice impossible. Homestead women adapted, preparing cold meals each morning for their men to carry to work in buckets, often supplementing the unheated eatables with preserves as a small treat to compensate for the plainness (and less-than-ideal temperature) of the fare.

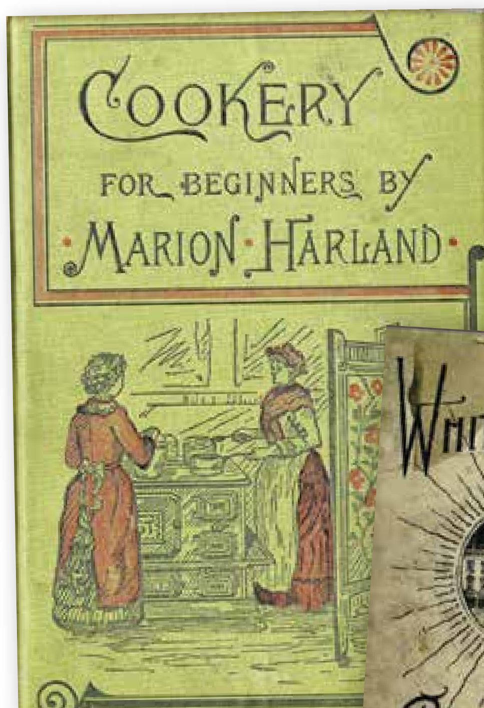
During the late nineteenth century, the dinner pail became an icon of laboring America (though some folks used coffee tins, cigar boxes, and baskets). Eating dinner away from home and not in a club—a meal that looked increasingly like lunch—was a sure sign that one belonged to the working class, as attested to by the fact that carrying this humble bucket to work invited embarrassment for those who did not perform industrial labor. One prominent gentleman who found it necessary to take his main meal of the day to the office deliberated between the practicality and the stigma of doing so: "the common dinner pail . . . was not the thing for a professor," he ultimately decided, "to be seen carrying through the streets."

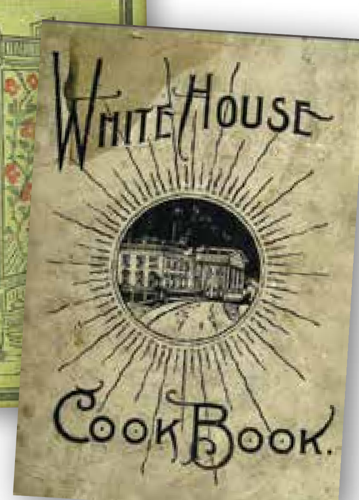
For those who sweated in mills, the image of the tin dinner pail became a source of pride and a symbol of solidarity. It was "the mark of honest labor," according to a writer in *American Machinist,* who characterized its bearer as competent, proud, and reliably knowledgeable of his trade. One writer dubbed Fall River, Mass., "the city of the dinner pail" because of the city's high number of mills and mill workers. Debates on labor issues increasingly referred to laborers collectively as the "dinner pail army" or the "tin pail brigade." In campaigning for the 1900 presidential election, William McKinley courted the labor constituency with the promise of a full dinner bucket.

FROM PIE-OLATRY TO SANDWICHES

Dinner-pail contents often reflected ethnic and racial differences. Polish factory workers were known to enjoy *bizos,* a combination of red and white sausage, sauerkraut, beef, pork, and barley boiled into a pudding that, when cold, could be sliced. In Poland, *bizos* was a hunting food; in America it was a lunch meat. Mexicans in the Southwest fancied tacos rolled in cornhusks. A fascinating variation of the dinner pail was the "shoe box lunch," an African-American tradition in which railroad travelers carried boxed staples such as fried chicken, pie, and biscuits because dining cars and trackside restaurants were typically segregated in the South. As early as the 1870s, black women known as waiter-carriers peddled chicken and biscuits to African-American passengers as a restaurant alternative, exchanging food and cash through the train's open windows.

Bizos and cornhusk tacos spiced up the American lunch as ethnic specialties with regional followings, but pie, that old-fashioned standby and perhaps the original convenience food, became a popular tin-pail standard for the majority of workers and schoolchildren. In some people's opinion, it was too standard. Cookbook author Marion Harland condemned its overuse as a meal replacement when time or appetite prohibited other options. One late-nineteenth-century factory worker testified that in place of cold meat, he sometimes brought a quarter of a medium-sized pie supplemented by cake and doughnuts, enough to fill out the container, for his midday meal. Our French traveler's unfortunate experience of pie as a typical lunch-counter staple (apparently at times the only staple) and Harland's criticism of its unhealthy nature and ubiquitous, indiscriminate overconsumption by Americans (a phenomenon she called "pie-olatry") illustrate just how iconic a lunch item the fruit-filled pastry was.





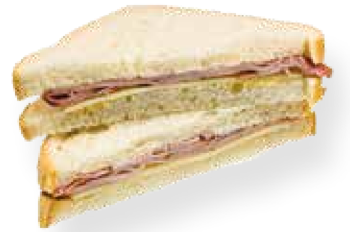
Courtesy of University Libraries, Special Collections, Virginia Tech

There were other predictable lunchtime items—apples, pickles, cookies—but bread was unquestionably the common element of the new midday meal in America. No lunch lacked some portion of a loaf. Bread was already a universal snack, perhaps the quintessential snack. Once baked or bought, it required no preparation except for slicing and, if desired, buttering. The transformation of bread from the ideal snack into the foundation of the modern lunch mirrors the transformation of the midday meal itself. When lunch-the-snack grew into lunch-the-midday-meal, it carried along what had always defined it: the staff of life.

Bread often appeared autonomously in the lunch pail, as a roll or muffin, say, likely accompanied by butter and jam, an egg, some cheese, or a piece of cold meat. But bread's most famous lunch-pail iteration would quickly become a noontime sensation: the sandwich. The sandwich was nothing new when lunch was coming into its own. People had tucked meat, cheese, and condiments into bread since ancient times.

When sandwiches grew in popularity in England in the 1760s, they typically showed up at late-night drinking parties among the gentry, and men were their primary consumers. By the end of the century, they appeared as refreshment at late-night balls, eventually making their way to the tea and supper tables of the English upper and middle classes. Simple recipes for basic sandwiches appeared in American cookbooks as early as the 1830s, but as the century progressed, their preparation became increasingly complex. Eliza Leslie's 1840 recipe for a bare-bones ham sandwich called for slices of cold boiled ham between thin pieces of buttered loaf served rolled up or flat. (If boiled ham didn't suit, she suggested grated tongue.) By contrast, an 1887 recipe of the same title in the *White House Cook Book* called for a dressing of butter, mustard, salad oil, red and white pepper, and egg yolks into which the preparer would mix chopped ham, originating a new concoction: the salad sandwich.

Although fancy salad sandwiches were all the rage in cookbooks and would become a staple of upscale women's luncheons,



the sandwich solution

NO LONGER DID THE BUSINESSMAN HAVE TO LEAVE HIS OFFICE TO SEEK OUT A RESTAURANT—HE SIMPLY ATE WHAT HIS WIFE PACKED HIM AT HIS DESK.

simpler sandwiches became an anchor for the midday meal of schoolchildren and factory workers.

Although cardinal in schoolchildren's midday meal, sandwiches were also central to working men's lunches. The image of the cigar-chomping tycoon was giving way to that of the slim businessman—young, energetic, fit to compete in the new milieu of corporate capitalism—and the sandwich dovetailed aptly with this ideal. Tired of heavy restaurant fare that left him foggy and fatigued, one early-twentieth-century businessman reported that he asked his wife to prepare him two buttered slices of bread with meat or cheese and nothing else. She wrapped the pedestrian fare in oil paper and slipped it into an envelope, which he carried to work in his coat pocket. Sometimes she surprised him with raisins, almonds, or another "little dainty" on the side, which added variety and became an object of anticipation. The sandwich solution saved him time as well as energy. No longer did the businessman have to leave his office to seek out a restaurant—he simply ate what his wife packed him at his desk.

With newfound time to work and less fogginess and fatigue to contend with, the sandwich-eater was a more productive and profitable employee. White-collar professionals such as this man appreciated lighter sandwiches, but those who performed manual labor often opted for bulkier versions, which they could easily acquire at cafeterias and saloons if they didn't bring them from home.

AN UNSOCIABLE ARRANGEMENT

With the temperance movement in full swing in the late nineteenth and early twentieth centuries, sandwiches made an appearance in saloons, where they often formed part of the celebrated free lunch that kept patrons, who might otherwise be swayed by anti-alcohol rhetoric, coming back to the bar. Many saloons—about half in the city of Chicago at the close of the nineteenth century—set up a buffet between 11 a.m. and 3 p.m., and some offered a veritable feast. One Chicago saloon served "frankfurters, clams, egg sandwiches, potatoes, vegetables, cheeses, bread, and several varieties of hot and cold meats"—all for the price of a beer or two. Less elaborate spreads might feature sandwich fixings such as bread, bologna, pickles, sliced tomatoes, onions, and radishes, perhaps with a soup option as a side. Most saloon menus also offered a "businessman's lunch," which, for the cost of some soup and a slice of pie at a regular restaurant, furnished the patron with a hearty midday dinner.

Certain cities, including Boston, required saloons to serve food, though eventually laws passed there and elsewhere made the enticing free lunch illegal. Following such legislation, and especially with the emergence of Prohibition, business at saloons dried up, and new kinds of informal lunch restaurants took their place, many based on the emerging self-serve concept of the cafeteria.

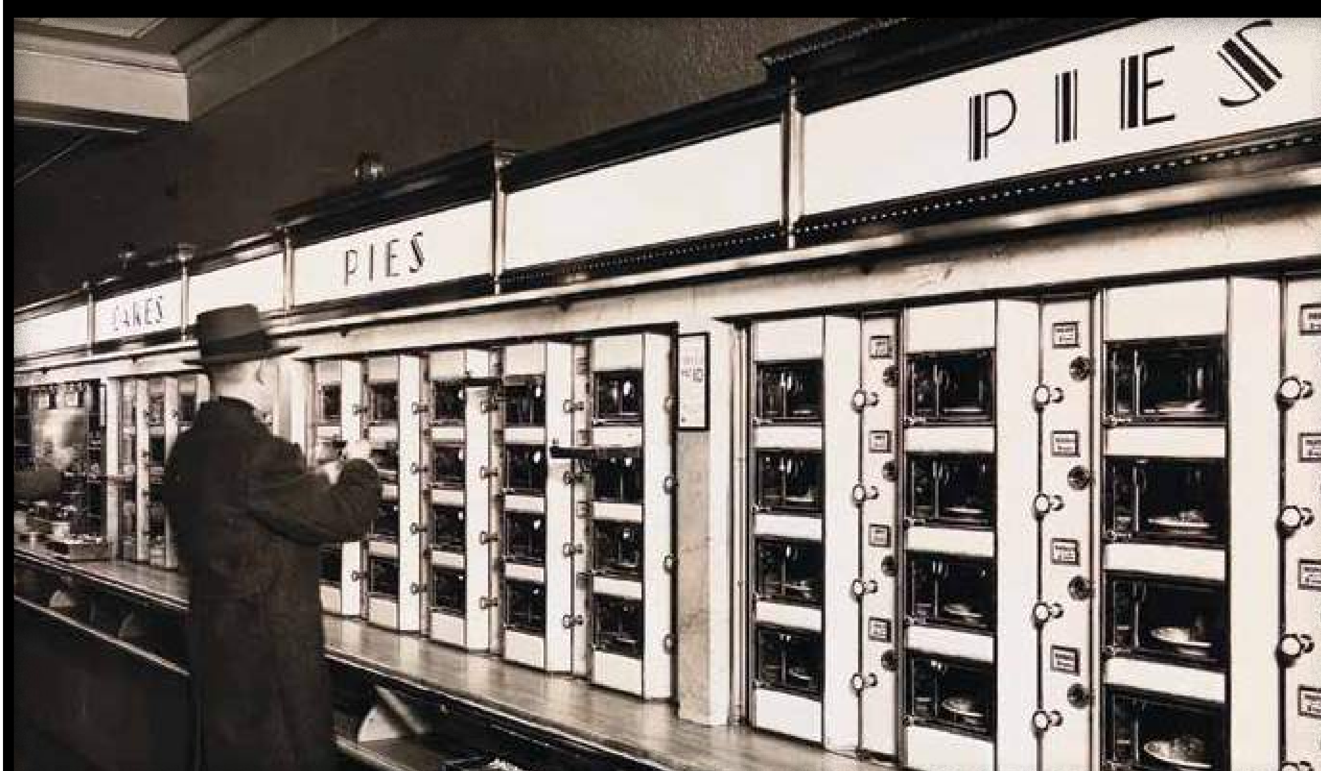
"Quick-lunch" restaurants sprang up in cities across the country around the turn of the century, and they generally lived up to their name. Here workers and businessmen could grab a bite of something simple and even hot without investing significant time or money. In order for the quick lunch to be genuinely quick, these establishments did away with many long-held restaurant traditions. There were no waiters, for example, and because patrons customarily served themselves, no tips. Although quick lunchers may have saved time and pennies, they had to navigate throngs of hungry workers. One commentator explained the method while alluding to the madness: "A tray is handed to you. . . . It is a struggle to get to the counter. . . . You join the press at the counter and seize whatever you may see." After the meal, lunch patrons paid a cashier based on the honor system, though some restaurants instituted a ticketing arrangement to keep track of purchases.

Because so many of the quick-lunching clerks, stenographers, and other city workers ate their meals alone, proprietors often furnished their venues exclusively with single-customer tables. One fresh-off-the-boat immigrant looking for a place where he and his companions could eat their first meal in America rightly called this design an "unsociable arrangement." "We would have sat together," he explained, "but in this shop one table accommodated one customer only." Because the restaurant's layout required the companions each to sit separately, they communicated by way of glances and smiles rather than words. Other quick-lunch restaurants, known as "one-arm lunchrooms" or "one-arm joints," did away with tables altogether, replacing them with rows of specially designed chairs with broad arms offering surfaces for plates and a small round depression for the usual cup of coffee. Customers lunching in these broad-armed chairs sat side by side and did not face each other; they interacted with their food rather than with their fellow eaters.

In 1902, a new kind of quick-lunch venue emerged that further eliminated sociality from the equation: the automat. This "mechanical lunchroom," as Works Progress Administration writer Edward O'Brian dubbed it in the 1940s, was a glorified vending machine, a wall-length display with windowed compartments featuring pies, fishcakes, cinnamon buns, coffee—each available for a few nickels, which the customer slid into the appropriate slot. "Here, the man-in-a-hurry is worried by no middle-men," noted O'Brian; "his relationship with his fodder, over which he may gloat, ruminate, or despair, is strictly private." No need to worry that ordering would take up excess time or that the weary luncher would have to assume an air of cheerfulness and engage in small talk with a restaurant employee: acquiring one's lunch had become an entirely automated affair.

Drugstores, where the sale of carbonated medicines evolved into the sale of carbonated beverages, took a thick slice of the quick-lunch business starting around the turn of the century. "[P]ractically all the low-priced quick noon luncheons are served from the soda fountains of drug stores," noted a business magazine in 1913 with regard to cities in the Southwest. At these venues, counters and stools eliminated the tray system as well as the social awkwardness of eating alone at a table. Special machines, such as an electric toaster that

"In 1902, a new kind of quick-lunch venue emerged that further eliminated sociality from the equation: the automat.



Berenice Abbott/HO/AP/Courtesy Museum of the City of New York accommodated sixteen slices of bread on a revolving wheel, streamlined the food-preparation process. As a result, service was brisk. Servers, often working behind the counter within arm's reach of patrons, had little distance to cover when delivering menu items, and they became known for their quirky jargon: they called butter "axle grease"; soup, "bellywash"; milk, "cow juice"; and a cup of coffee, a "cup of mud." Though some of these amusing terms were longer than what they substituted for—ham and eggs was "two cackles in oink in the Southern way"—the jargon didn't seem to slow the pace. Whether delivered across the counter or to customers seated at a table, orders were usually "hot-footed."

For the exceptionally hurried, some quick-lunch restaurants featured high counters in place of tables and lacked seating options altogether. Such restaurants catered to the "stand-uppers," eaters who considered sitting while munching an unnecessary expenditure of time. At such a venue, explained a turn-of-the-century article, "not one fraction of a second [is] lost in the hunt for a seat." Here, the diner scarfed down soup, sandwiches, and pie while standing at a high counter before rushing back to the office with a toothpick in his mouth. If there was no room at the counter for him to set down his meal, he simply held his plate in one hand while poking food into his mouth with the other.

The businessman, for whom time was money, considered speedy meals necessary. Consequently, in addition to ready-made food and rapid service, quick lunches featured breakneck consumption. Frequently referred to as "hustlers," quick-lunch patrons tended to "bolt" their food in a matter of minutes—often within fifteen or twenty, but sometimes in as few as five. One critic jokingly likened the lightning pace to that of a first-rate Ford automobile. Other commentators measured the "bolting" in terms of mouthfuls or chews; one estimated that the typical stand-upper spared no more than a dozen bites for a meal that consisted of a bowl of soup, a plate of beans, sandwiches, pie, and coffee. Another suspected that such a luncher averaged three chews per mouthful rather than the ideal thirty-three. Whatever his number of chews or mouthfuls, the quick-lunch patron was a creature of indubitable haste.

THE COMPANY LUNCHROOM

Urban laborers also felt the time crunch that drove white-collar workers to inhale sandwiches and coffee at quick-lunch venues, but factory working conditions that made lunch both hurried and frequently dangerous compounded their rush. In the 1870s, laborers in the Massachusetts textile mill where the mute spinner worked were allotted a half hour to eat. Equipment demands, however, could eat into this typical break period. Workers often spent part of their lunchtime cleaning and oiling machinery, a necessary task they could not perform during paid hours while the looms were in motion. All too often, time off awarded to workers on paper proved far from what they received in reality.

When investigators in the early twentieth century began to probe factory conditions, they discovered that while some laborers got more than the standard half hour for lunch, many felt compelled to work through their designated breaks. An inspector of the laundries in Troy, N.Y., reported that while launderers took a full hour for their meal, pieceworkers regularly skipped lunch entirely or else broke only for a brief ten minutes to swallow what they had brought from home in order to ensure maximum output at the end of the day. One writer only half-jokingly suggested renaming the lunch hour in sweatshops the "luncheon minute." Many sweatshop hands did not stop work for meals. One observer described the typical textile worker as snatching a bite from a link of sausage and a piece of bread resting on his sewing machine each time he finished a seam.

luncheon minute

URBAN LABORERS ALSO FELT THE TIME CRUNCH THAT DROVE WHITE-COLLAR WORKERS TO INHALE SANDWICHES AND COFFEE AT QUICK-LUNCH VENUES, BUT FACTORY WORKING CONDITIONS THAT MADE LUNCH BOTH HURRIED AND FREQUENTLY DANGEROUS COMPOUNDED THEIR RUSH.

In 1913, less than 4 percent of New York factories offered employees separate lunchrooms, which was particularly worrisome in facilities processing dangerous substances. When the New York Factory Investigating Commission asked a foreman in the lead-hardening department of a metal works what arrangements the establishment had made for its employees, he responded, “No arrangements; [employees] just simply sit down on a stool and put their lunch on a bench.” But thanks to reform efforts that exposed the dangers of poor factory conditions, the work climate began to change. Within a few years, lunchrooms had become fixtures in factories and shops, though sometimes these eating spaces were far from appealing: They were frequently located in cramped, unventilated basements or on upper floors of buildings where employees had no access to an elevator.

Manufacturing companies eventually began to realize that comfortable and well-outfitted employee lunchrooms were more than a charity—they were a sound business investment. The new eating arrangement paid: It saved workers valuable energy and time and increased their productivity as a result. Workers who did not have to cram their lunch while standing at a machine, seated at an unclean worktable, propped up on a drafty windowsill, or hunkered on a pile of rags were more likely to return to their afternoon tasks revitalized and less prone to fall ill and miss work. Those who had regularly eaten out no longer had to squander precious minutes and energy hustling to sandwich counters and pushing through cafeteria lines. “The day will come,” prophesied investigative journalist and muckraker Ida Tarbell in 1915, “when the failure to furnish proper lunching places for a working force will be looked on as one of the most uneconomical practices of . . . industry.” This was, she explained, because workers “who eat cold meals from the corner of their machines do it at the expense of their afternoon efficiency.”

The new arrangement saved time and energy, and it was also better for digestion. Quick-lunch venues were gaining a reputation as “dyspepsia factories” responsible for chronic indigestion that threatened to reduce workers’ output. By eating on the premises, workers were more likely to digest their meals properly and preserve their energy for the afternoon shift. Free hot beverages—coffee and tea, sometimes hot chocolate—were a central aspect of companies’ efforts to improve their workers’ digestion and, by extension, their yield.

Although company lunchrooms started out as just that, rooms set aside for lunching, many eventually offered food service. Early lunchroom menus commonly sported a single item, which workers supplemented with food brought from home. A few lunchrooms offered three-course meals. More typical was the happy medium represented by the Dayton, Ohio, National Cash Register Co., a lunchroom pioneer that offered employees tea, coffee, or milk and a choice of two hot dishes. Employees supplemented the hot dish and accompanying beverage with bread and butter from home. Menu items at lunchrooms ranged from bacon and eggs to porterhouse steak, usually priced at or under cost.

Lunchrooms provided a place for employees to rejuvenate over a hot, nourishing meal, but when workers sat down to eat, they were not free to sit anywhere they liked in the mostly segregated lunchrooms of the time. African-Americans

the lunch question

FOR FEMALES WHO WORKED OUTSIDE THE HOME, WOMEN'S CLUBS PROVIDED AN ANSWER TO THE EVER-GNAWING "LUNCH QUESTION": WHERE TO EAT.

either sat at designated tables in their own section of the room or ate in a different room altogether.

Factories also segregated lunchrooms by gender and social class. As early as 1905, the Gorham Manufacturing Co.'s plant near Providence, R.I., featured a large lunchroom for men, a smaller one for women, and a private dining room for the president, officers, and their guests. The Cleveland Bag Factory established a lunchroom for the office force, whereas "workpeople" ate at folding tables temporarily set up in passageways. The Heinz factory in Pittsburgh featured separate lunchrooms for "men and girls," with employees of both genders benefiting equally from the one lunchtime frill Heinz workers could count on: pickles. A 1921 advertisement for the Des Moines Hosiery Mills titled "Why Our Workers Stay with Us" pictured two separate lunchrooms for male and female employees. The caption under the photo of the men's dining room read, "These workmen didn't feel at home eating with the girl employees shown at the left, so this room was equipped with a serving window for them."

More than merely the norm, separation of the sexes also had its benefits. Thanks to parallel facilities, men did not have to hold to a standard of polished manners expected in the company of ladies, and ladies avoided the dubious prospect of eating with unknown men. Although the Des Moines Hosiery Mills ad suggests that the company instituted separate dining rooms for men and women primarily for the comfort of male employees, in reality they did so just as much (if not more) out of consideration for the female workforce. Factories were primarily masculine spaces owned and run by men. In entering the industrial world largely populated by male workers, most women likely stepped outside their comfort zone; in this context, ladies' lounges and lunchrooms, often decorated like a living room, functioned as a welcome, homelike refuge.

The midday division of social spheres did not end in factory and department-store lunchrooms—it flourished in the turn-of-the-century proliferation of lunch clubs. For females who worked outside the home, women's clubs provided an answer to the ever-gnawing "lunch question": where to eat. For women in business and those who simply found themselves downtown at midday, lunch clubs offered an alternative to the male-dominated restaurant scene, where an unaccompanied woman might receive suspicious looks or, worse, be refused service altogether.

When lunch emerged from the vacuum dinner left behind, it represented a new, particularly pragmatic and American way of eating. School cafeterias and their workplace counterparts fostered this idiom, which, at its most basic, was about work. Foreigners had long commented on Americans' hasty and informal approach to meals. Lunch legitimized and institutionalized these attributes.

Lunch was hasty and informal because it catered to a growing emphasis on profitability—it shored up more time for business, and both individuals and institutions harnessed it to further economic purposes. Companies invested in lunchrooms to increase workers' output; school cafeterias nourished children's chances of becoming productive members of society; and dining clubs and ladies' luncheons helped businessmen and middle-class women bolster status and broaden professional connections.

Lunch also advanced social causes as organizations transformed it into a platform for reform: Activists waged and won battles for women's rights, laborers' working conditions, and children's welfare, in part, over the midday meal. But lunch served an even broader ideological function.

As America became an increasingly prosperous country that offered refuge to the immigrant and the promise of success to the person of ambition, a number of its cultural ways—including its lunch foods—gained worldwide recognition as icons of the land of the free and the home of the brave. The utensil-less sandwich proved a curiosity (some would say a barbarity) that has fascinated and repulsed propriety-loving Europeans and many others abroad; white bread has alternately served as an emblem of all that is good about America and all that is flawed; and quick-lunch restaurants laid the foundation for perhaps America's most famous and controversial cultural export: fast food. ■

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WHEN INNOVATION ISN'T

By pursuing breakthroughs less indiscriminately, we may just get more of them.

WHEN ASKED, FEW PEOPLE WILL SAY ANYTHING BAD ABOUT PUPPIES. Similarly, who could possibly have anything bad to say about innovation and the well-intentioned pursuit of it? I have a hard time finding an organization of any type that isn't loud and proud about its dedication to and lionization of innovation. And whether bottom-up (tournaments, hot-houses, and start-up-athons) or top-down (corporate SWAT teams, dedicated innovation functions, and outright acquisitions), the talk is very often more than just talk.

So what do we have to show for it? Rather less than we might have hoped for, it turns out. Over the last couple of years, a number of credible and informed observers has been making the claim that innovation, in the United States and around the world, has not merely stalled but is in fact declining.

You're forgiven if it doesn't feel that way. The salience of change and innovation in media and telecommunications makes it seem as through we're awash in life-enhancing advancements. The same period that has seen breakthrough and patenting rates declining or stagnant has nevertheless seen the iPod/Phone/Pad, Facebook, Twitter, the Kindle, Netflix, and so on. People of goodwill can differ over the cosmic significance of these products and businesses, but their commercial successes suggest that they have improved many people's lives in many ways.

Now, the best things in life are not things, and so the quality-of-life benefits of this highly visible innovation should not be dismissed lightly. But as Michael Mandel pointed out in a widely circulated 2009 *BusinessWeek* article, the most promising breakthrough technologies of the past decade have mostly failed to deliver. Cancer treatments, cloning, gene therapy, nanotechnology, and more—the confident predictions of Ray Kurzweil notwithstanding—have been the technologies of tomorrow for so long that it's worth asking whether they always will be.

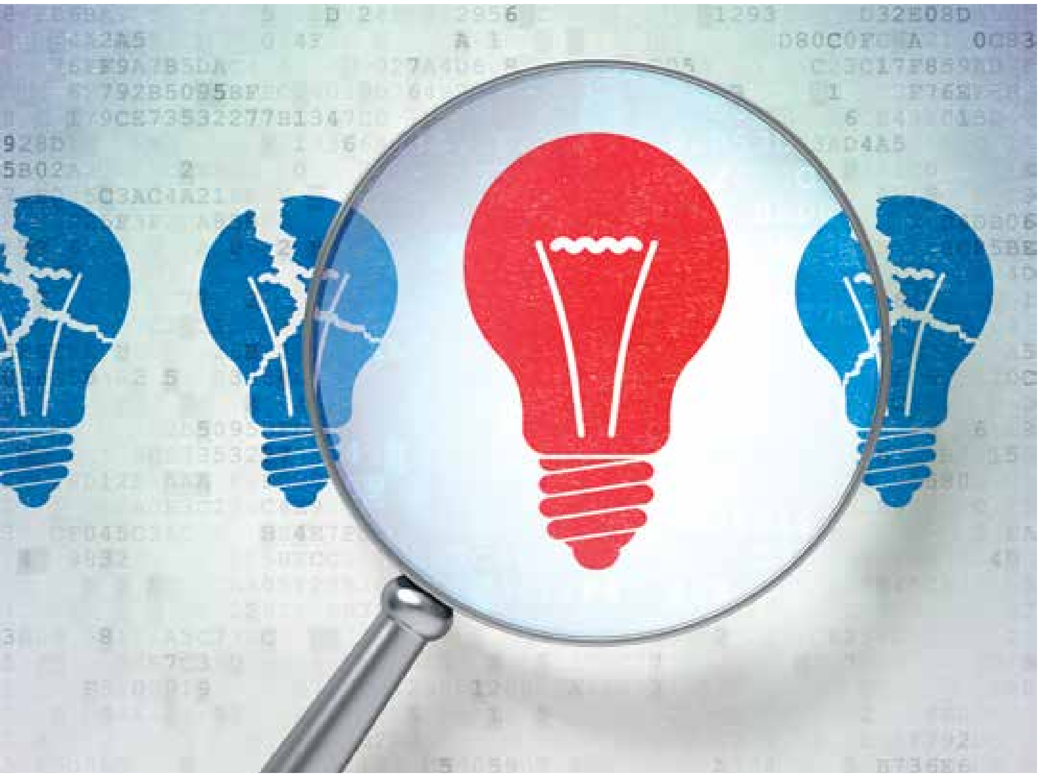
This dearth of innovation is starting to matter. It is, in the eyes of some, a major contributing factor in the declining relative and absolute wealth of most Americans. Consider Tyler Cowen's analysis in *The Great Stagnation*. Cowen notes that even as overall economic activity has grown, sometimes very strongly, much of the American population has been left behind. According to this view, the housing bubble and what others see as an incipient student-debt crisis are the desperate but ultimately doomed countermeasures of a growing underclass, victims of a system that must be reinvented if it is to provide growth and true equality of opportunity.

At the risk of piling on, Erik Brynjolfsson and Andrew McAfee at MIT observe what they call the "great decoupling": Since the end of World War II, as productivity rose, so did employment. Then, beginning in 2000, productivity continued to rise, but employment stagnated and even fell. The same data leads Cowen to suggest that the grand bargain between business and labor has been broken—where rising productivity once lifted all boats, for the last decade the economy has been increasing its productivity largely by firing the unproductive.

What this means is that for all we say and do in the pursuit of innovation, we are manifestly failing to deliver. There are, no doubt, macro-level causes, and perhaps policy-level remedies are part of the solution. That conversation is above my pay grade. I am of the strong opinion, meanwhile, that a big part of what's required is a new and much more clear-eyed analysis of what innovation is and how to best pursue it.

Perhaps the first problem, ironically, lies in the general enthusiasm for innovation. For too many companies, "innovation" has become little more than a shibboleth, a word almost without meaning that serves primarily to gain access to the "in crowd" and a way to bask in the scattered light of the halo of the new and cool.

As a result, all manner of initiatives attach themselves to the innovation bandwagon. Yet "innovation" means more than just "new"—it means breaking a constraint, doing what had



previously been, at best, only imaginable. Going beyond the current limits of the possible demands a suite of organizational tools that, like many types of medication, can have near-miraculous effects but insidious side effects. Indeed, freedom from strategic, financial, and operational constraints can be crucial to breaking new ground, but it can also make it all but impossible to add value within the boundaries of the current game.

Take, for example, how many management consultancies responded to the emergence of the dotcom-focused consulting firms in the late ’90s. The so-called “Fast Five” (in a dig at the consulting arms of the then “Big Five” accounting firms) of Razorfish, iXL, Scient, Viant, and marchFirst were scooping up the cream of the business-school crops and securing high-profile engagements with not just other start-ups but even the incumbent firms’ major clients.

Feeling threatened by these seemingly innovative upstarts, consulting’s corporate aristocracy set up new divisions with new names, new brands, new locations, and unprecedented autonomy. They aped the “payment in equity” with some clients and developed new compensation models, sometimes based on ghost equity in the division itself in an effort to create high-powered reward structures.

It all ended in tears. The Fast Five either went bankrupt or were acquired at fire-sale prices. The mainstream consulting firms, if they’ll talk about this period at all, do so with considerable chagrin: Their dotcom divisions were all disbanded or reabsorbed into the mainstream and smoothed over the way one copes with a bad haircut until the hair finally grows out and is forgotten.

It turns out that no one had actually innovated at all. Organizational tools of innovation were invoked, but the results were, predictably, disappointing: The basic consulting model of expertise-for-hire had not been overturned or even significantly modified. No fundamental constraints had been broken. It was old wine in new bottles and nothing more.

In contrast, when a true innovation is on offer, failing to respond appropriately can be equally if not more ineffective. The low-cost-carrier (LCC) airline model, arguably pioneered by Southwest Airlines in the early 1970s, has broken many of the performance/cost constraints that define the hub-and-spoke model preferred by many mainstream airlines. Those hub-and-spoke carriers that have tried to launch their own LCC divisions have typically not provided the necessary strategic boundaries and operational autonomy required for successful innovation, and most have ended up shutting down their LCC divisions, often with little more than painful losses to show for it.

In these tales lies a potential remedy. Perhaps the key to saving innovation from its own popularity is to define it precisely yet practically. Not everything valuable is an innovation, and not every innovation is valuable. Sometimes—in fact, perhaps quite frequently—it makes more sense to create value by exploiting tradeoffs in pursuit of differentiation. In other circumstances, you can break tradeoffs in pursuit of successful innovation. Knowing which you’re after is crucial, because exploiting and breaking tradeoffs require very different organizational responses. By using the right tools for the right jobs, more organizations might be able to achieve both differentiation and innovation more predictably and successfully. I have to think that’s good for everyone.

It’s not the entire answer, but it can’t hurt. ■

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THREE REASONS TO AVOID LISTS

1. They are lists. 2. See previous item. 3. Read below.

I AM BEING STALKED BY NUMBERS. THEY PEER OUT OF MY INBOX AND GATHER UNINVITED IN MY LINKEDIN GROUP ALERTS. Most are single digits, which I can cope with, but occasionally they climb into double figures, as if determined to cause maximum confusion and distress.

I'm talking about the numbered lists of advice on management, leadership, and careers that have reached epidemic proportions on the Internet. Here is a random list of the lists I have encountered recently, mostly in blog posts:

The Most Successful Leaders Do 15 Things Automatically, Every Day

20 Things 20-Year-Olds Don't Get

5 Essential Tips for Surviving Awkward Networking Events

14 Things You Should Do at the Start of Every Work Day

9 Job Mistakes That Could Stall Your Entire Career

And here's a whopper: *74 of the Most Interesting Facts About the Millennial Generation*!

I usually discard information like this without reading it. Many of these lists strike me as ridiculous—not helped by the overuse of capital letters in the headlines. The more widespread they become, the less credible they are. If the essential tips for leaders can come in 3s or 7s or 15s, then it seems that these numbers have been plucked from the air. Good leadership and management require self-knowledge, thoughtfulness, persistence, adaptability, courage, decisiveness, and integrity. These cannot be gained by spending two minutes skimming through seventeen apparently randomly arranged tips.

Some lists of advice are undoubtedly useful, even life-saving, such as the step-by-step safety checks the aircrew does before taking off and landing, or the essential measures to assist someone who is having a heart attack. Numbering the steps, or initializing them to create an acronym, can be helpful in memorizing the key points and their order. But in management, this is surely limiting. If you're told that you only have to follow these particular three steps to become a sustainable leader, for example, then you're relieved of the responsibility to question and think more deeply about human nature and leadership.

Numbered lists of dos and don'ts are nothing new. They were probably around before the Ten Commandments. Today, though, everyone is jumping on the bandwagon, littering social media with numerals. But as much as these numbers turn me off, they turn on a lot of other people.

It turns out that, in the BuzzFeed era, PR and marketing people are widely recommending that their clients use numbered lists to catch busy people's eyes amid the plethora of competing content. Andy Crestodina, a Web strategist and co-founder of Orbit Media, which specializes in digital design and marketing, says lists are irresistible to click on and drive traffic.

"They get more common where the competition is more intense," he explains. "Marketers are competing for any kind of attention. And online, everybody is just a few clicks from every other website. We send out newsletters, and the most popular ones always have a number in the subject line."

He demonstrates his point with a list of three reasons why lists work well:

1. They set an expectation about length before you click on them. Visitors to websites like to know what they're signing up for. A list tells you the content can be scanned easily.
2. A story or article might have one idea, which may not be useful to you, but you won't know until you've read the whole thing. If you scan a list of ten things, and only two are useful, it's not such a waste of time.
3. Numerals are visually prominent in rows of letters.

Interesting, but I'm not budging.

Crestodina, in fact, says he prefers writing stories to compiling lists in his blogs because they are more engaging, even though "getting people to read them is more of a challenge." Lists start with a structure—in this case, a number—and then add the substance, whereas a story or case study starts with the substance and then adds the structure. "List writers are just curating

content—they're not writing," he says. "You're not driven to reveal a truth when compiling a list."

One motivation behind numbered lists is to sound authoritative, indicating that the consultant or author has sorted through all the available evidence and extracted the essentials. But such lists usually fail the evidence test, says Rob Briner, professor of organizational psychology at the University of Bath School of Management. He adds, "It's rare for the author of a list to explain the evidence for selecting these five or seven or nine pieces of advice rather than others. What's the evidence that these five are the most important? Often they're not. It's just meant to appeal."

Some numbers appeal more than others. Michael Pearn, an author and consultant, has done a great service by creating a database of management models and theories based on numbers. You can search by number, author, or theme. "Wander through it and see what turns up," invites Pearn humorously. "Explore at random and discover the ten most powerful two-letter words, or the seven S's of self-managed learning, or the thirteen thinking tools of the world's most creative people."

I was disappointed to find that two is not a popular number, as I like Douglas McGregor's two-factor theory of motivation. (It's clear, believable, and short.) Three, four, and five are much more heavily used, but seven comes out on top—as in Stephen Covey's classic, *The 7 Habits of Highly Effective People*.

Shorter lists are easier to memorize, and odd numbers are more appealing aesthetically. English gardeners and French florists will tell you that it's better to plant, or give, seven roses than six or eight. If it looks more authentic in nature, perhaps it sounds more authentic in management books. Or is it that odd numbers play to our gullibility, as with the age-old trick of pricing an item at $99.99 instead of $100?

When it comes to lists designed to be comprehensive collections, larger round numbers such as 10, 20, 50 or 100 dominate. But the longer the list, and the stranger the number, the less believable I find them. In Pearn's database, I came across Robert Slater's book *29 Leadership Secrets from Jack Welch*. I wonder what happened to the thirtieth secret? I also discovered a 2001 Tom Peters article about "50 ways of being a leader in freaked-out times." This reminds me irresistibly of Paul Simon's song "50 Ways to Leave Your Lover." If you're a Simon fan, you'll know that he keeps it short, actually only mentioning five or six ways, and leaves the rest to the imagination. There's style.

There remains the question of why seven is so popular. In 1956, psychologist George Miller wrote a paper arguing that seven was "the magical number" in terms of our capacity to process information. He actually said "seven, plus or minus two," but seven stuck and spread. However, the consensus now is that humans can best store only four chunks in short-term memory tasks, according to an article by Gordon Parker, professor of psychiatry at the University of New South Wales. If you really must impress with a list of management advice, keep it to four. That is, unless you are doing it in Mandarin, where it is best avoided because "four" sounds like "death." ■

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MAKING THE SWITCH

Are skills really transferable between jobs within an organization?

I LIVE MY LIFE BY THE SIMPLE BELIEF THAT YOU CAN NEVER BE OVERDRESSED OR OVEREDUCATED. Whether in a boardroom or a pharmaceutical facility, a comprehensive education—and a good suit—will go a long way toward making an effective and positive impression on colleagues, business partners, and suppliers.

And while it is passé, and possibly illegal, to micromanage your employees' wardrobes, you should be obsessed with retaining great workers and challenging your high-performing individuals to learn, develop, and grow over an extended period of time. Stagnation breeds mediocrity, which is why HR professionals endorse job-rotation programs—systematic and structured movements of employees from post to post within an organization—as a tool to help staff learn valuable critical-thinking skills and gain exposure to various roles and departments over a period of time.

Both academics and CEOs regard such programs as an effective way to expand a workforce's knowledge and abilities. A formal rotation program offers customized assignments to promising employees in an effort to give them a view of the entire business; these assignments usually run for a year and can vary in size and formality. While larger companies are more likely to run formalized rotation programs, the Society for Human Resource Management advises businesses of all sizes to consider implementing one.

But is that a good move? Should any company of any size invest in a rotational program?

Proponents of such initiatives argue that job-rotation programs have real benefits, especially for new recruits who emerge from top MBA programs with a solid education but little real-world experience. Giving high-potential rookies the opportunity to solve problems and tackle actual work—outside of their comfort zones in a rotational program—is touted as a quick and effective way to build competencies, character, and resiliency. For more seasoned workers who have a solid understanding of business, a rotational program may offer an opportunity to work collaboratively and develop new leadership skills.

While there's no doubt rotational programs can be fun and interesting, let's face it—there are certain skill sets that do not transfer well and would not improve with a rotational assignment. And when it comes to building character and resiliency, I think you're either born with it or you're not.

Neil Morrison, group HR director for U.K. and International Companies at Penguin Random House, believes that, indeed, many skills are not transferable. "Human-resources professionals who are sent into functional business units to learn the business with the goal of becoming better HR people are wasting their time," he says. Temporary assignments meant to improve HR professionals—or help a business leader develop Sherpa-like powers over the workforce—are a fool's errand.

"When I interviewed for my current role five years ago, I described myself as a businessperson who understands HR," Morrison says. "I was wrong. I am actually an HR person who understands business. It isn't semantics—it is an important yet subtle shift in emphasis." (Leave it to a British executive to tell you when he's making a subtle and important distinction.)

When I ask Morrison if he values any rotational assignments—such as when a marketing executive is sent into an operations role to learn more about how relationships work and how business is accomplished—he scoffs, insisting that "it's pointless to send a hairdresser into a butcher's shop to learn to cut meat." Or cut hair. "The value of rotational assignments is at best questionable and at worst the window dressing of collective organizational stupidity."

But there are corporate professionals—inside HR and beyond—who are motivated and bright. They are interested in learning the ropes in functional areas outside of their natural expertise. They look to expand their range and dare to challenge the complexity of other departments. If a high-performing, high-potential worker asks for a challenge, wouldn't a temporary assignment

of any kind enhance and improve intelligence and capabilities?

"I think an HR person who knows how business operates is of much more value than a newly certified HR employee who has never bothered to understand the ins and outs of an industry," says Mary Faulkner, director of talent management at ClearChoice, a national purveyor of dental implants. "I think HR people would benefit from a rotation if they don't already have that knowledge and they really want to learn."

Faulkner believes that participating in a good rotational program is akin to participating in a formal study-abroad program. Participants have an opportunity to learn a new language—and to take a much-needed career break to help alleviate burnout. She also argues that savvy workers understand the résumé-building power of versatility; a properly structured job-rotation program affords tremendous development opportunities.

Honestly, I think that even the most structured study-abroad programs are little more than extended vacations for privileged undergraduates, but having been a student in London during the mad-cow epidemic and the 1996 IRA bombing campaign, I know that an experience in a foreign land—even one in which the language seems familiar—can be eye-opening. A successful job-rotation program needs to be constructed so that the assignment is a stretch and brings value . . . but isn't so much of a stretch that you lose a good employee subjected to an overwhelmingly intense, stressful experience.

Faulkner believes that balance is possible. Employees must buy in to the concept of the program; expectations and goals must be aligned from the onset. And a rotational program could work well so long as it's designed in a way that benefits the business, builds better leaders, and doesn't jeopardize careers and outcomes.

But when it comes to the tricky act of sending a sensible and pragmatic HR lady into an operations or finance role, how do you structure an experience that allows for a quick and measurable transfer of knowledge without causing a baptism-by-fire scenario?

Faulkner suggests assigning a project that doesn't require specialization of skills. For example, I was once asked to participate in a cross-divisional, cross-functional team to review my company's legal obligations under the new Sarbanes-Oxley law. As the lone HR professional at the table, I worked with legal, IT, and finance colleagues to review the legislation, reconcile our employee handbook, and make recommendations on changes to our board of directors.

The temporary assignment was given to me not because I knew a little something about my job. It was given to me so I could learn how to manage multiple stakeholders and deal with resistance from people who were difficult and cranky. I used my basic understanding of human behavior, gained through years of slogging through HR, to win points with my colleagues and negotiate favorable outcomes on behalf of my team.

Ultimately, both Faulkner and Morrison are dedicated HR professionals who welcome all employees to learn, grow, and contribute in a concrete way that will aid and improve business performance. Whether it is through a rotational program or via other continuous-learning initiatives at the individual, group, or organizational level, no responsible HR leader would disagree that companies benefit when employees ask questions and push themselves to contribute in new ways.

But when HR professionals look to a job-rotation program to build real-world business skills, I think we shortchange the profession and take the easy way out. We hire adults. We should expect the best from the workers on our payroll. Every employee is responsible for asking questions when he doesn't understand something—from a P&L statement to an earnings report. Everyone has the ~~chance~~ responsibility to learn and grow by observing more experienced co-workers and business partners. And the Internet provides myriad opportunities to read thought-leadership articles and attend webinars on the challenges and complexities that businesses face today and beyond.

If your local HR representative cannot take initiative and identify her own strengths and weaknesses—and cannot develop business acumen without a formal job-rotation program—what hope does she offer your line leaders and executives who will need her help in developing and retaining your organization's best and brightest colleagues? ■

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MARKETING WITHOUT MARKETING

Consumers are harder than ever to reach, but don't make it obvious that you're trying harder than ever to reach them.

PHINEAS T. BARNUM WAS THE SECOND MILLIONAIRE IN AMERICAN HISTORY AND THE FIRST—THOUGH CERTAINLY NOT THE LAST—TO BUILD HIS WEALTH ENTIRELY ON HOKUM.

Barnum knew exactly what he was up to. Just five days before he died, he confided in his diary, "I am indebted to the press of the United States for almost every dollar which I possess." Were he alive today, he'd be flabbergasted by the fertile soil for his brand of nonsense.

He would recognize today's supermarket, TV, and online tabloids as the progeny of the papers he courted. But truth to tell, he might not be as successful as his nineteenth-century self. Barnum's genius was in capturing the attention of a population starved for entertainment. People today are drowning in amusement, and their attention spans are only as long as the thumbs hovering over their TV remotes and smartphones.

Unfortunately, many companies are using communications and marketing strategies straight out of Barnum's playbook. They may have a broader concept of media than the penny press of his day—about a quarter of their marketing budgets go to digital media—but they're still plying the same old tricks: advertising and publicity. Both put a premium on intrusiveness, which today's consumers find as appealing as sharp elbow jabs, especially in the sanctity of their online sanctuaries.

According to one study, we're exposed to nearly two thousand online ads *per month*. No wonder two-thirds of us feel under bombardment. And no wonder click rates have declined from 2 percent in 1996 to a barely perceptible 0.1 percent today. Consumers are increasingly blind to online ads. Banners and pop-ups barely register. The only messages that get through are tailored to people's interests or are directly relevant to what they're doing when they see them.

Google built an empire by tying ads to relevant search results, and Barnum would have been an eager customer. But he would have looked for more: How to reach all those people who don't *know* they want information on bearded ladies or Fiji mermaids? Figuring that out requires a leap from the intrusive world of advertising and publicity to the more service-oriented world of editorial content. If content is king, with the right strategy, smart marketers can be the power behind a thousand thrones.

It's a strategy with a surfeit of names—branded content, native content, content marketing, and brand journalism are just a few—but it's not such a new idea. Around the time Barnum was shilling his "educational curiosities," the Michelin brothers were publishing a guide to the environs of Paris for the city's first motorists. They reasoned that the best way to get people into automobiles was to help them navigate the few roads suitable for their vehicles. What they invented was more than a travel guide. It was a new idea in marketing.

They assumed the traditional role of journalist—researching, curating, reporting, and publishing information that fills a real consumer need, all under the name of their brand. And because they were scrupulous to avoid even perceived conflicts or appearing self-serving in any way, they won people's trust—to the point that, by the time they had distributed 35,000 copies of their guide, they were able to begin charging for it.

Brand Journalism is one of the ways smart marketers rise above the clutter of Internet advertising. Instead of pushing ad messages to increasingly indifferent and prickly Web users, they pull consumers to their expertise at the precise moment of their heightened interest. As a marketer, the key is to figure out where people's interests and your competencies overlap.

Brand Journalism is meant to help customers, rather than to sell products. It's built on the premise that if you give your readers real value, they will learn to trust your brand, making them more likely to do business with you when they're in the market. That puts Brand Journalism firmly within the worldview of your company's public-relations department. If your PR people know their job, they know how a newsroom

works. They understand news hooks as well as sales hooks. The know-how to craft a story that will catch the interests of specific communities. They don't have a "publish and move on" attitude. They understand that a story is just a conversation-starter, the first move in a long series of social-media interactions that ripple through cyberspace. They're agile enough to create new content across media and to keep it fresh with every new development. Most importantly, their experience with the media and diverse communities makes them more sensitive to issues such as transparency and authenticity.

American Express's Open Forum website follows in the grand tradition of the brothers Michelin, giving businesspeople valuable information through original content, guest writers, and an active community of fellow entrepreneurs. Johnson & Johnson's BabyCenter does the same for moms and dads. Neither is overtly promotional.

Some mainstream publishers consider websites that allow advertisers and consumers to connect without their help a direct hit on their already declining revenue, but others are responding by giving marketers a trusted platform for their content.

Some early experiments simply integrated the advertiser's content into the run of a publication, labeling it "sponsored" in type the size of the last line on an ophthalmologist's eye chart. The most notorious example—a special report on Scientology, written by the Church of Scientology and presented as a regular story in an online issue of *The Atlantic*—kicked up such a storm of protest that the magazine had to withdraw it, apologize, and rethink its branded-content strategy.

Others have been better at labeling. *The Huffington Post* sprinkles "sponsor generated posts" among its own sensationalized postings. *BuzzFeed* labels brand content as "presented by a featured partner." Even Capitol Hill's paper of record, *Roll Call,* runs a blog on defense policy that is "sponsored" by Boeing and contains "sponsor content" amidst the staff's own stories.

But Forbes Media's BrandVoice may signal the direction of the future. It gives marketers access to the magazine's own publishing tools to create nonpromotional content that appears with its print or online news environment. Cadillac was the first to use the print program, producing a two-column story that ran adjacent to contextually relevant content. Not surprisingly, technology brands such as SAP, Dell, and Oracle were the first to publish in *Forbes*'s online edition.

The brands pay for their content to run next to stories written by the magazine's journalists, while an editor ensures it isn't overtly promotional. Whatever companies supply is clearly labeled as part of the BrandVoice program. Online, a "What's this?" hyperlink takes curious readers to a full explanation. In the print magazine, brand content is listed on the contents page; online, it's promoted throughout the website and treated the same as the magazine's own content. Its readership is tracked the same way as anything written by *Forbes* writers; in fact, brand content has made its way into the website's most popular postings. A piece about the iPhone, written—and paid for—by data-storage company NetApp, was briefly the most read story on the whole site.

Of course, brand content attracts reader comments just like *Forbes*'s original content, both within the site and elsewhere in social media. At first, that's tough for marketers to swallow, but when they see it as an opportunity to engage interested readers even more deeply, little lightbulbs go off over their heads. Considering that as many as 25 million people read BrandVoice content every month, those little lightbulbs constitute a virtual spotlight on Brand Journalism.

Lew Dvorkin, chief product officer of Forbes Media and BrandVoice's progenitor, may be reflecting more than fatherly pride when he says brand content will "shake up 100 years of journalism." It could also shake up one hundred years of marketing, advertising, and public relations. And that's no hokum. ■

SIGHTINGS

THE COST OF ECONOMIC SUCCESS

IT'S NOT WHAT THE BOY PICTURED ABOVE IS DOING THAT'S SO TROUBLESOME. IT'S MORE WHAT HE'S NOT DOING. He's not in school learning geometry, or science, or English, or anything else beyond how to work hard for daily survival. Inspecting a giant utensil at a manufacturing plant in Kolkata, India, he is the result of what happens when a country pushes for ever-greater economic growth at the expense of educating its youth.

About 4 percent of Indian children never start classes, 57 percent don't complete their primary education, and almost 90 percent never finish secondary school. Can you blame them? With so much of the country living in poverty, you can perhaps sympathize with the pressure endured by families and kids to earn greater income just to survive. Many critics do, however, blame the government for not paying enough attention to schooling India's 350 million children under the age of 15—that's 30 percent of the country. Research shows that 84 percent of Indians who finish school lack sufficient cognitive abilities to thrive in the workplace—and we're not talking high-school students but *college* graduates here.

The country's economic successes of the last decade—including high-profile IT firms, Wall Street CEOs, and top strategy consultants—have distracted many from its failure to look ahead. So perhaps it's a good sign that India's economy is slowing. Indeed, in recent times, the government has focused more on raising teacher salaries, ensuring more schools have electricity and toilets, and ameliorating the corruption that steals funding from countless local schools. Still, it's going to take more than a few lightbulbs to address problems that demand greater, and more equitable, allocation of resources. There's a big gap between India understanding it must educate its future labor force and its taking steps to make sure that happens. — VADIM LIBERMAN