THE CONFERENCE BOARD REVIEW

IDEAS AND OPINIONS FOR THE WORLD'S BUSINESS LEADERS

Unfair Business Practices

ARE PERKS DIVIDING YOUR COMPANY?

WOULD A CHIEF OF STAFF SOLVE YOUR TIME CRUNCH?

ARE YOU HAPPIER IN THE SUBURBS?

AUSTERITY, INEQUALITY, AND SLOW GROWTH IN 2012

THE CONFERENCE BOARD

Winter 2012
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IT'S TOO SOON TO CONCLUDE WHETHER THE OCCUPY GATHERINGS CONSTITUTE AN ACTUAL MOVEMENT OR JUST A SERIES OF DEMONSTRATIONS, but corporate leaders in every sector need to take them seriously.

Obviously, Wall Street is the prime target, and when the protests didn't dissipate as quickly as brokers and bond traders hoped, Chase and B of A and every other big bank hurriedly pulled together TV image ads for prime-time viewing. (Turns out—who knew?—banks' primary societal function is lending money to cheerful neighborhood cupcake shops and wide-eyed Internet startups, not, as many previously thought, destroying the global economy for the benefit of a few millionaire executives. Foreclosures? Credit default swaps? Nothing to see here.)

But the target is larger than the finance industry, or even income inequality—it's *docility*. Perhaps Occupy's most lasting message is that citizens can, and should, reconsider their relationships with the companies that sell them goods and services, from checking accounts to clothing.

Lending to friendly Main Street shops notwithstanding, corporations have never been more estranged from Main Street shoppers. After decades of making workers feel increasingly expendable, and demanding ever more output from ever fewer cubicle-dwellers, employers have no business expecting loyalty. And the less connection between the companies for which people work and the products and services that people buy, the less loyalty consumers feel.

Of course, people have always felt vaguely resentful at being classified as consumers rather than citizens, but there haven't always been ready mechanisms to register that discomfort. Now they're only a click away. B of A's aborted $5 monthly debit-card fee will live on as a cautionary case study, but it should be remembered as more than an example of misreading one's customer base—it was a catalyst for people to take action. All the "we are the 99 percent" rhetoric posed less of a threat to bank executives' future than the weeks leading up to last Nov. 5. Bank Transfer Day saw more than half a million U.S. customers transfer allegiance to smaller financial entities that, pointedly, had *not* been implicated in the global economic meltdown. For most accountholders, this was no small task—it's a real hassle to unravel the average customer's tangle of accounts and checkbooks and electronic payments. But help popped up almost immediately, in the form of video clips and articles bearing titles such as "How Do I Switch from My Bank to a Credit Union?"

Now, some of those new credit-union customers surely will miss the convenience of an ATM on every corner and eventually switch back. Every day, people who once swore they'd never again shop at Wal-Mart find themselves walking through those sliding doors. But the reason won't be because they feel a connection to the company. Maybe cannier social-media engagement initiatives will create lasting bonds; maybe those Chase TV ads will make people feel all warm and fuzzy about banks. But it's hard not to feel as though the gap between companies and consumers is widening, and that's bad news for companies.

Online shopping and social networks make it easier and easier for alienated consumers—that is, citizens—to find merchants that share their values, that build community rather than destroy it. If people were able to seamlessly shift their checking accounts to Internet banks and credit unions, do you think they'll find it impossible to find somewhere else to buy their groceries?

MATTHEW BUDMAN
Editor-in-Chief

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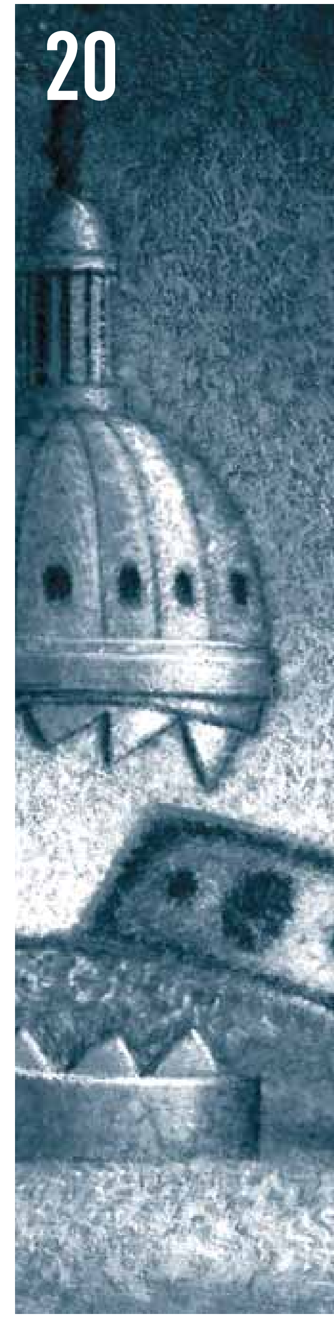

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Mismatch in the Boardroom

BY SIMON C.Y. WONG

THE CEO'S PLAN WAS OBVIOUSLY FLAWED—WHY DIDN'T YOU SAY SOMETHING? When it's too late to reverse the bad decisions, viewing the wreckage of a product line or a pricing strategy or an entire company, eyes turn toward the board. And as we've seen in recent years, some boards are undeniably lackadaisical when it comes to oversight and guidance.

But as any board member would acknowledge, it's no small thing to challenge the CEO, especially when he's serving as chairman as well. All too often, there's a stature gap between the CEO and other directors, and that gap can seriously hinder boards' effectiveness. Indeed, the consequences of boards' failure to robustly challenge their "star" CEOs can be devastating.

Take Royal Bank of Scotland, which required a U.K. government bailout in 2008. Its board was accused of failing to stand up to illustrious CEO Fred Goodwin on his ambitious expansion strategy. At an Asian firm I served several years ago, the non-executive directors felt unqualified to question the chief executive, who was viewed as a visionary inside and outside the firm.

More recently, the board of brokerage house MF Global was reportedly starstruck by chairman and CEO Jon Corzine—former governor, U.S. senator, and co-head of Goldman Sachs—and thus may have failed to challenge him on strategy and other critical matters. Corzine aimed to transform MF Global from a broker executing on behalf of clients into an investment bank aggressively risking its own capital; the firm's catastrophic bet on European sovereign debt led to its bankruptcy filing last October.

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Perhaps because it isn't an especially comfortable subject, relative stature among directors rarely comes up in discussion. But the issue can have a significant impact on board performance. My discussions with chairmen, as well as direct observations of boardroom dynamics, have revealed that CEOs often disregard the views of outside directors whom they perceive to be less qualified than they are. Correspondingly, non-executive directors who are in awe of, or intimidated by, a CEO can be too deferential to management.

Although this affliction is widespread, it appears to be more acute at the largest companies. For example, one U.K. senior board adviser has identified a CEO-board power differential between the largest FTSE 30 and mid-size FTSE 250 firms. At mid-ranking companies, where the board usually includes executives from bigger FTSE 100 enterprises, the CEO is typically less influential in the boardroom than his counterparts at the largest corporations, where the outside directors are of comparable, and sometimes lesser, standing than the CEO.

Imbalance in authority between the CEO and the rest of the board can arise in several ways. At some companies, the board might appoint a CEO whose accomplishments and renown are so much greater than other directors' that they find it difficult to question his judgments. More commonly, a board may find its presence and authority diminish as the CEO's star rises. At one leading industrial company, when the CEO was first appointed, the board's dominance was clear and respected. As management delivered consistently strong performance in the ensuing years and the CEO's stature grew, he consulted the board less frequently. By the end of his tenure, he treated board meetings as rubber-stamping events.

In these situations, the weakening of board authority often occurs gradually and may be imperceptible at first. Telltale signs, perhaps more apparent to outside observers or in hindsight, include less robust board questioning of management's proposals over time and a readiness to agree to management's demands on matters—for example, executive compensation—that the outside world would consider unreasonable. Boards usually realize the extent to which they have ceded their authority only upon a change of CEO or when something goes wrong, such as a crisis or scandal.

To serve as an effective counterweight to the chief executive, boards should ensure that the statures of their non-executive members are equal to or greater than the CEO's. (It is also important that the relative standings of non-executives are comparable because vast differences among them can equally harm board dynamics—at one large financial institution, for example, the outside directors tended to defer to a colleague who had been a two-time prime minister.) At a U.K. retailer, the chairman has consciously recruited to the board individuals who are chairmen at other listed companies. That way, the board is more likely to be respected by the highly successful CEO, and non-executive directors will also treat each other with regard.

Relative stature between the chairman and the CEO is particularly important. As one U.K. senior independent director explained, "You need a person who can tell a CEO that he is acting like an idiot when necessary." In Britain, chairmen are usually able to command the respect of management because they are often a decade or so older than their CEOs and have successfully led large organizations or distinguished themselves in other ways.

Because the authority of the board vis-à-vis the CEO fluctuates, term limits for directors should also be considered. This will ensure not only that fresh perspectives enter the boardroom but that suitably qualified and distinguished individuals populate the board at all times.

Correspondingly, since a highly successful CEO can disrupt board authority and dynamics over time, it may be sensible to limit the chief executive's tenure. Perhaps surprisingly, some CEOs support term limits for their ranks. Former Medtronic CEO Bill George, for instance, endorses a maximum tenure of ten years. At a European company, the successor to a long-tenured chief executive acknowledges the risks that an increasingly dominant CEO poses to the board and the company — and has pledged to remain in this post for, at most, eight years.

One American CEO who imposed a ten-year limit on his own tenure felt that it helped him become a better leader. Because he couldn't count on staying indefinitely, he worked with a greater sense of urgency and devoted a great deal of time to thinking about the long-term health of the company and steps he should take to sustain its success after his departure.

What's the best way for boards to protect their standing and influence against an all-powerful CEO? By separating the roles of chairman and CEO. Even after years of corporate-governance experts' urging, most U.S. companies still concentrate power at the very top—indeed, many firms reward a well-performing CEO with the chairman's title. Nothing could more clearly signal a board's acquiescence to a diminished role.

WHAT'S THE BEST WAY FOR BOARDS TO PROTECT THEIR STANDING AND INFLUENCE AGAINST AN ALL-POWERFUL CEO? BY SEPARATING THE ROLES OF CHAIRMAN AND CEO.

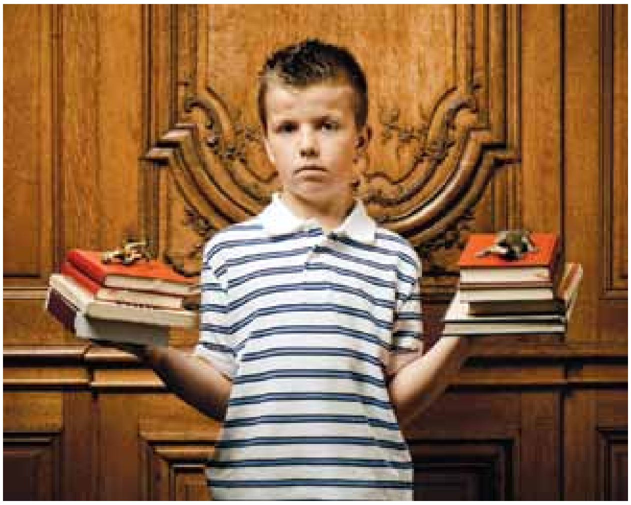
Nobody Cares Why You Messed Up

BY JENNIFER V. MILLER

As a workplace professional, you know that making excuses doesn't cut it, so you strive to avoid acting the victim if your work actions don't make the grade. But is there ever a time when an explanation is warranted to help clarify your actions? After all, because you're a professional and you always aim to do your best, there's a perfectly good *reason* why you didn't make that deadline, right? (Or call back the customer, or whatever.) And you would really appreciate it if the listener would just hear you out for a moment.

Maybe an explanation is needed, but more often than not I find that one's need to explain their actions borders on excuse-making. Sometimes, no matter our best intentions, we mess up. And I'll let you in on a little secret: Nobody really cares *why* you messed up. The mistake has been made, and no amount of "explaining" it will negate that fact. They care only about how the mistake is going to be fixed. A consummate professional understands that this is not the time to problem-solve the reasons for the mistake. That comes later. Instead, he or she owns up and says, "Yes, I did this. I own this mistake. I apologize, and here's how I'm going to fix it." All that explanations do is waste time that could be spent rectifying the problem.

So the next time you find yourself on the verge of explaining your actions, ask yourself: *Am I being asked to describe the reason behind my actions?* If so, feel free to offer a brief rationale as to your actions. However, if you are being asked whether or not you achieved the task/project/goal, no matter what the reason, look the inquirer in the eye and give them a straight yes or no answer. They may not be happy with your answer, but they'll appreciate your No Excuses approach.



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Read Article: 45 Seconds

BY MATTHEW KELLY

IN THE LATTER PART OF THE TWENTIETH CENTURY, THE CORPORATE WORLD SEEMED OBSESSED WITH TIME MANAGEMENT. We took time-management courses, listened to audiocassettes (yes, audiocassettes) to hone our time-management skills, and read books about the subject too. Over and over, we would hear maxims like: *Time is your most valuable resource. Guard your time. Plan your time. Protect your time. Defend your time. Don't waste your time. Time is life, and life is time. If you waste your time, you are wasting your life.* As a result, our time-management skills increased exponentially, and our ability to deliver results soared.

As with all things, there were early adopters, the mass middle of adoption, and late adopters. The earlier people adopted, honed, and deployed these time-management skills, the more of a competitive advantage they were. But time management is no longer a competitive advantage. It is an important and necessary skill but not a competitive advantage. Twenty years ago, the ability to effectively manage your time was a competitive advantage. Today, it is simply permission to play. If you want to compete at a high level in today's environment, it is just expected that you can manage your time more effectively than most people.

■ MATTHEW KELLY is president of Chicago-based Floyd Consulting. From *Off Balance: Getting Beyond the Work-Life Balance Myth to Personal and Professional Satisfaction* (Hudson Street). ©2011

"We use busyness to cover up our need for inclusion, purpose, and significance when we hit a rough patch in our careers.

COO of Nothing

BY THOMAS J. DeLONG

If you've ever worked for an entrepreneurial start-up that became successful, you've probably witnessed the phenomenon of the *lame-duck founder.* Founders are pivotal to these start-ups, using their vision and energy to launch the enterprise. Yet after the company becomes established, they often struggle to find their place. Typically, these founders feel left out as a management team is put in place and does a good job running the company.

Founders make up titles for themselves that convey a sense of importance and responsibility but in fact are just window dressing. The more obsolete they become, the harder they try to look busy. They may write white papers pontificating on a current issue, or create and head internal task forces with important-sounding goals. They may dominate meetings and schedule numerous business trips, but it's all to no avail. Their fellow workers are not stupid. They have observed their company's founders becoming more and more conscious that their work adds little value.

While they remain loyal to the organization and want to build the culture, they essentially stay locked in place, doing the same things they did when they founded the company, experiencing little personal and professional growth, and contributing very little to the company. While they may believe their busy schedules and prestigious new titles create the image of a dynamic leader, others see that they are trying too hard to be busy.

After one start-up grew to five hundred people, there was little for one of the co-founders to do. Eventually, after a number of title and office changes, he settled on chief culture officer. No sooner had the e-mail gone out than professionals in different offices began calling one another and laughing, mocking the absurd moniker. One subordinate called him the "COO of Nothing."

This may seem like a harmless thing, but it's harmful on two levels. First, this *chief culture officer* is fooling himself into thinking that he's doing something meaningful. His self-important position may keep him busy creating new slogans and implementing new policies related to his company's culture, but it prevents him from doing the sort of tough self-examination and reflection that might extricate him from his trap. Instead, he can fool himself believing that he's taken on a vital new role when he's basically just taking up office space.

Second, giving oneself such a title may seem merely humorous during good times, but during tough economic periods it harms morale. Then, people respond not with mocking laughter but with anger and cynicism. The tone of the remarks made behind the chief culture officer's back becomes hostile, resentful, and bitter, and cynicism begins to wither the soul of the firm.

We also use busyness to cover up our need for inclusion, purpose, and significance when we hit a rough patch in our careers—we encounter a bad boss or experience a bad fit in an organization. We first try to look and feel busy in order to prove to a boss that, despite his misgivings and criticism, we are dedicated and productive. We make a great show of working late or coming in early to convince people that, despite not fitting an organization's needs, we take our job seriously. These busy behaviors, however, are a charade. In fact, they're done not just to prove to others that we're industrious but also to prove it to ourselves.

We live in fear that we will be found out, that others will learn that we are adding basically nothing to the enterprise. We fear admitting this truth to ourselves, and being found out would bring shame and humiliation. Those emotions are anathema to high-need-for-achievement professionals, who thrive on a lofty self-image. Therefore, we do all we can to avoid the embarrassment of not working up to our potential. More important, we may not want to admit that we don't know what to do with ourselves, either personally or professionally.

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Nobody's Fault But Mine

BY JUSTIN MENKES

EVERY TIME THAT I'M CALLED IN TO WORK WITH A CEO WHO IS IN TROUBLE, I'M ASKED, IS THE EXECUTIVE SAVABLE? IS IT WORTH TRYING? And while the answer is rarely simple, *the single most telling factor is the individual's sense of agency*. Change is possible; everyone is teachable and can grow and improve. But if the person has a low sense of agency, then change will be extraordinarily tough, costly, and lengthy and will require highly skilled intervention.

Sense of agency refers to the degree to which people attribute their circumstances and the outcomes they experience to being within their own control. People tend to be inward or outward in their explanation for life events. For those who choose external explanations for what is happening—I didn't get promoted because my boss is stupid, I got this job only because my dad called someone—long-term success becomes much more difficult.

No phrase better codifies a low sense of agency than the all-too-common "If it is meant to be, it will be." Incredibly circular in its logic, within this phrase is perceived freedom from any culpability in the events of our lives. For adults who cannot tolerate the anxiety brought on by knowing that they are largely responsible for what happens to them, this mantra can bring a temporary sense of deluded relief. But there is no genuine escape from the reality that our path to gratification or regret is largely up to us. No amount of disowning will change this, regardless of how many times we tell ourselves otherwise.

For those who look inwardly for explanations, learning and behavior change become much more plausible. Human beings vary wildly on the degree of influence they believe their actions will have on outcomes. The perspective of your own agency in the world is highly subjective, and realizing potential in a stressful climate requires seeing and explaining events in a way that suggests that outcomes are largely contingent on your own behaviors.

It is one of the essential factors that enable you to manifest relentless leadership in trying times, both for yourself and for others.

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Interviewing with Jeff Bezos

BY RICHARD L. BRANDT

Early on, the interview process for new hires at Amazon was as demanding as going through oral exams for a Ph.D. in subparticle physics. Each candidate would go through interviews with several employees, then with Jeff Bezos, who would also grill all the other interviewers. He would create elaborate charts on a whiteboard listing the candidate's qualifications, and rejected anyone about whom he had the slightest doubt. References were asked to list the candidate's greatest strength and worst mistake. In the interview, candidates were hit with random tough questions such as, "How would you design a car for a deaf person?" (The best answer: Plug your ears and drive around to see what it's like to be a deaf driver.) In meeting to discuss the candidates, questions asked ranged from, "What do you admire about this candidate?" to, "What is he terrible at?"

"One of his mottos was that every time we hired someone, he or she would raise the bar for the next hire, so that the overall talent pool was always improving," said Nicholas Lovejoy, who joined Amazon in 1995 as the fifth employee. Bezos put the philosophy this way: Five years after an employee was hired, he said, that employee should think, "I'm glad I got hired when I did, because I wouldn't get hired now."

■ RICHARD L. BRANDT is a former correspondent for *BusinessWeek*. From *One Click: Jeff Bezos and the Rise of Amazon.com* (Portfolio/Penguin).

The One-Question Survey

BY STEVE BOESE

CHANCES ARE IF YOU WORK IN A CORPORATE JOB, IN THE LAST YEAR YOU'VE TAKEN SOME KIND OF ENGAGEMENT OR EMPLOYEE-SATISFACTION SURVEY (or perhaps created and administered one), designed to take the pulse of the organization, to assess strengths and weaknesses in the areas of trust in leadership, pride in the organization, and meant to help the C-suite identify areas that might pose a risk to the overall performance of the enterprise.

These surveys are usually professionally designed and intelligently administered and provide rich data sets that can be used for analysis and comparison. But these surveys—like any survey, really—are truly valuable only if they are asking the right, and relevant questions. They tend to focus almost exclusively inward—i.e., "What do you think about your managers?" or, "I have pride in working for this company"-type questions are typical.

But for many organizations, especially now as the employment market begins to show more and more (halting) steps toward sustained improvement, the true engagement questions—or, really, the questions that the C-suite has to have the answer for—are outwardly oriented.

In fact, most leaders might only want or need to know the answer to one question, the one question that we never seem to see in these engagement surveys, namely: **If Competitor XYZ offered you $10,000 more** (or whatever amount is applicable to put the person in the "I'd need to think about it" mode), **would you take the offer and resign from our company?**

Sure, I know what you are saying: No employee would truly want to answer that question, since they would fear a "Yes" answer would brand them as a "no-commitment" traitor and put their job at risk. And even a "No" answer might brand someone as having a lack of ambition. So we never ask the one question we really need to have the answer for.

What people say about their attitudes and tendencies is important, but what they actually do is the only thing that ultimately matters. And when good people start leaving the organization, in seeming contradiction to a stellar prior-year employee-engagement survey, and leadership seems surprised, perhaps it is because you never asked and don't truly understand the only question about engagement and retention that really is telling.

Or you could have a few more meetings trying to strategize on how to move the "My office environment is pleasant and comfortable" score up a few points in next year's survey.

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What's the Plan?

BY RICHARD RUMELT

Good strategy works by focusing energy and resources on one, or a very few, pivotal objectives whose accomplishment will lead to a cascade of favorable outcomes. One form of bad strategic objectives occurs when there is a scrambled mess of things to accomplish—a dog's dinner of strategic objectives.

A long list of "things to do," often mislabeled as "strategies" or "objectives," is not a strategy. It is just a list of things to do. Such lists usually grow out of planning meetings in which a wide variety of stakeholders make suggestions as to things they would like to see done. Rather than focus on a few important items, the group sweeps the whole day's collection into the "strategic plan." Then, in recognition that it is a dog's dinner, the label "long-term" is added, so that none of them need be done today.

As a vivid example, I recently had the chance to discuss strategy with the mayor of a small city in the Pacific Northwest. His planning committee's strategic plan contained forty-seven "strategies" and 178 action items. Action item number 122 was to "create a strategic plan." As another example, the Los Angeles Unified School District's strategic plan for "high-priority schools" contained seven "strategies," twenty-six "tactics," and 234 "action steps," a true dog's dinner of things to do.

The second form of bad strategic objective is one that is "blue sky." A good strategy defines a critical challenge. What is more, it builds a bridge between that challenge and action, between desire and immediate objectives that lie within grasp. Thus, the objectives a good strategy sets should stand a good chance of being accomplished, given existing resources and competence. By contrast, a blue-sky objective is usually a simple restatement of the desired state of affairs or of the challenge. It skips over the annoying fact that no one has a clue as to how to get there.

A leader may successfully identify the key challenge and propose an overall approach to dealing with the challenge. But if the consequent strategic objectives are blue-sky, not much has been achieved. The purpose of good strategy is to offer a potentially achievable way of surmounting a key challenge. If the leader's strategic objectives are just as difficult to accomplish as the original challenge, there has been little value added by the strategy.

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The Status Quo Has Got to Go!

BY KATHY CLONINGER

I BEGAN AS CEO OF GIRL SCOUTS OF THE USA IN NOVEMBER 2003. TWO MONTHS LATER, WE WERE DECIDING TO REINVENT THE ENTIRE GIRL SCOUT MOVEMENT. Two months after that, at Girl Scouts' triennial meeting of council CEOs and board chairs, seven hundred top Girl Scout staff and volunteers from all over the country were chanting in unison, *"The status quo has got to go!"*

At that point, no one was saying the Girl Scout movement was in crisis. We weren't falling apart. We weren't broke. We were a stable American icon with a brand known everywhere and traditional values rooted in family, community, and nation. Nearly three million girls enjoyed Girl Scouts each year.

Yet Girl Scouting was in a condition that, if a few more years passed without change, we might find ourselves regretfully saying as the doors closed for the last time, "The handwriting was on the wall. We just didn't see it."

What does a company look like when it's starting to enter that condition?

The scary thing is, it looks perfectly normal. Business is loping along. There's no drama. What has always worked is still working fairly well. The machine is oiled and widgets are popping out. Maybe sales have slowed a little, but people tell each other to relax: It's just a slight downtrend. No need to panic. We'll recover soon; let's just keep doing what we do. Maybe tighten our belts a little. Trim some fat. Nothing drastic. Really, we're fine.

Later, you look back and see that the world was passing the company by. What it needed right then was not belt-tightening but major surgery.

When a company slips into this kind of crisis, no one is expecting it or is even willing to consider the possibility that it's happening. People blame the warning signs on things that are relatively easy to deal with. They convince themselves that what worked before will work again: "Don't fix what ain't broke."

I'm not talking about companies that don't care. This kind of crisis doesn't happen just to companies whose motto is "Acme Widgets: We're no worse than anybody else." It also happens in companies that have prospered through great ideas, hard work, and good people.

It happened to Woolworth's. It happened to U.S. Steel. It happened to Kmart. It happened to Pan American and Eastern Airlines and Trans World Airlines. It happened to the whole Swiss watch industry. It has happened to hundreds of organizations, and it very easily could have happened to us.

When Girl Scouts of the USA began to confront its challenges in 2004, we were already facing membership decline. Historically, the traditional way for girls to take part in Girl Scouting was by joining a troop. But troop membership had begun shrinking in the early 1990s, partly because girls, especially as they aged into middle school, were starting to feel that belonging to a troop was uncool.

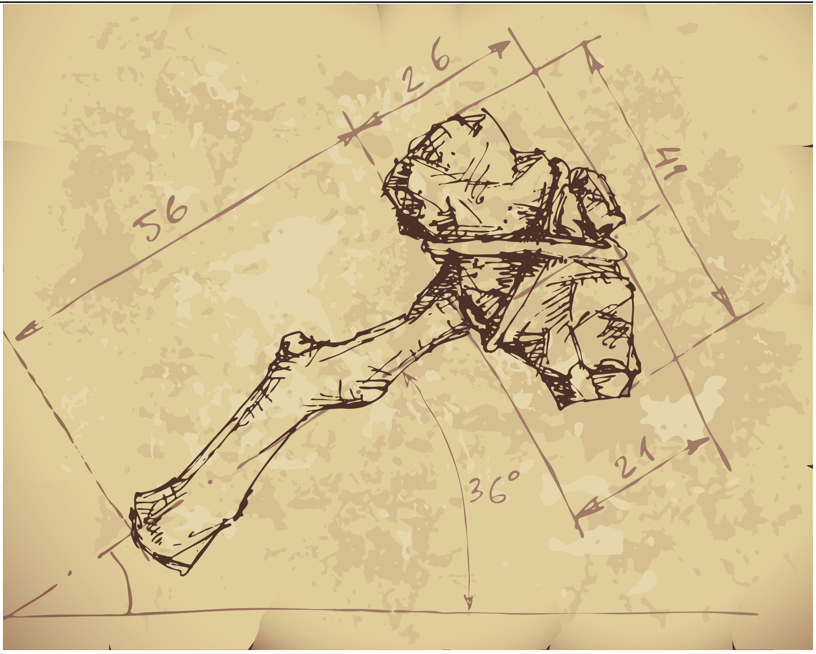
To keep membership numbers up, and to put into action a GSUSA slogan that scouting is "For Every Girl, Everywhere," Girl Scout councils started to offer nontroop outreach activities: short-term, specialized programs that often took place over two or three days or even on a single afternoon. These interesting, attractive events did serve a diverse range of girls. But the activities often had to be delivered by staff instead of volunteers, which was more expensive. And outreach girls might experience only a few days of activities a year, compared to weekly troop programs that continued through the school year.

So we were bolstering our membership at a higher per-girl cost—and giving these added members a briefer and less comprehensive program. This experiment was bold and innovative, and it was worth trying, but it wasn't a sustainable long-term way to deliver Girl Scouting. And with more than three hundred Girl Scout councils each struggling to maintain girl membership and invent new activities to attract girls, the overall movement was losing its sense of exactly what it was that we deliver to girls. We couldn't tell the world exactly what a girl experienced in Girl Scouting, nor could we show, in tangible detail, how she benefited from it.

Girl Scouting could have kept going, slowly declining, for many more years. But in a world growing more complex, we were becoming just another option in a sea of choices for girls. We were losing the ability to see ourselves—and for the world to see us—as a primary place for girls to participate, learn, experience, and grow in essential ways.

During my years in Girl Scout councils, I had been aware of these developments, and the problems seemed serious but didn't feel really urgent. However, shortly after I became CEO of GSUSA, I got a rude awakening when I made a visit to Australia and did some research on Girl Guides in Canada. Our movement in those countries had seriously diminished, and the same could happen to Girl Scouts in the United States. I saw that if we didn't change in a big way, we were heading toward a decline from which there could be no recovery.

KATHY CLONINGER is CEO of Girl Scouts of the USA. From *Tough Cookies: Leadership Lessons From 100 Years of the Girl Scouts* (Wiley).



Do You Feel Lucky?

BY ERIK CALONIUS

Visionaries are lucky. They've received all the breaks that luck bestows, and not just once, but again and again.

Suppose Orville Wright had died of the scarlet fever he had contracted in 1896, when he was 25. Would Wilbur have built the flying machine by himself? Not likely. Suppose Andrew Carnegie had not read about the new blast furnaces that were revolutionizing the German steel industry and, furthermore, hadn't found the financing to bring one back to the United States. Would he have transformed the steel business in America? Not likely. Carnegie Hall would not exist.

Suppose Walt Disney's cartoon business in Kansas City had been a modest success rather than a flop, and he had stayed there in the Midwest. Would he have forfeited the chance to meet the great animators who were shuffling around Southern California looking for someplace to go? Probably so.

I remember sitting with Michael Dell in his freshman dorm room at the University of Texas as he described how he started his computer company there in the 1970s. His parents were dead set against his obsession with computers—they wanted him to become a doctor.

The phone in his dorm room rang one day. It was his parents. They were in the lobby and on their way up. Dell hastily gathered the computer parts that were scattered all over his room (he had placed an ad in the Austin newspapers and had been happily building computers for his customers) and hid them in the bathtub. Well, Dell's mom went into the bathroom and didn't even pull aside the curtain, to the relief of the perspiring Michael!

But suppose she had. Suppose Mrs. Dell had pulled that shower curtain aside, found her son's stash of computer parts, and raised hell. Dell might have given up and gone to medical school. Dell might have been your family doctor today.

ERIK CALONIUS is a former reporter, editor, and London correspondent for *The Wall Street Journal*. From *Ten Steps Ahead: What Separates Successful Business Visionaries From the Rest of Us* (Portfolio).

still SQUEEZE

AUSTERITY AND INEQUALITY HOLD BACK THE GLOBAL ECONOMY.

IT'S BEEN A FRUSTRATING YEAR, BOTH ECONOMICALLY AND POLITICALLY. AND 2012 LOOKS TO BE MUCH THE SAME, ONLY MORE SO.

Bart van Ark, chief economist of The Conference Board, sees continuing slow growth, exacerbated by social and political conditions, most importantly income inequality. The widening wealth and income rift not only divides society—it misallocates capital and resources and shows in stark detail how much is wasted.

And then there's the euro crisis, Japanese poverty, and the growing pains of the emerging economies. By any standards, these are interesting times. Much to the chagrin of many.

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

BY MATTHEW BUDMAN

First of all: You're projecting 2012 growth in the advanced economies to fall to only 1.3 percent. Is this a low point in a cycle, or are we looking at a slower global economy?

We're looking at a slow economy, but in the advanced economies, I think we're going to see a low point in 2012. We've spent four years operating way beneath our capacity, given the amount of labor, capital, and technology we can employ, and this next year will still be difficult. But in 2013 and 2014, I expect we're finally going to see some real recovery, as the housing sector begins to recover and unemployment stabilizes at a lower rate than today.

Still, though, that's not going to get us back to where we were in 2008, before the level of output dramatically dropped after the fall of Lehman. We lost about a trillion dollars in output due to the recession, and we're not going to recover all of that, but at least we may get back to trend growth, a rate in line with the amount of labor, capital and technology that we have in place. So that will give us some faster growth in the 2013-16 period, and things will look somewhat better.

Perhaps more surprisingly, you're forecasting 5.1 percent growth in the emerging economies, down from 6.4 percent in 2011.

We are seeing a gradual slowdown in the emerging economies, basically because the big countries—China, India, and Brazil—have all been growing beyond their trend. Now they're facing inflation and need to slow their economies.

So globally, we'll see growth slow to around 3 percent in 2012. That is still a reasonable growth rate. Some people call this a new normal, but I think this is actually, well, pretty normal. What we saw between 1995 and 2008 was abnormal. We had both rapidly emerging economies and high technology kicking in, and that's the kind of recipe we cannot quickly repeat.

Is the divide between the advanced and emerging economies widening?

They're actually converging, in terms of both growth rates and levels of output per head—the emerging economies are slowing in growth as the advanced economies are beginning to recover, and their per-capita income levels are catching up. That's why an open, ongoing process of global coordination of economic policies is so important: As these economies are becoming more aligned, they will have to be much more involved with each other.

How much longer will China and India and Brazil be "emerging"? Haven't they emerged yet?

They're still transitioning. They've been growing very rapidly in recent years because of investment in their economies, with a lot of older, inefficient companies leaving and new companies coming in. Now they're starting to mature and become balanced, and it's a process that could last for years. These economies will retain emerging characteristics well into the next decade. We started including South Korea on lists of advanced economies only about five years ago, after it completed that process of transition.

In every economy, obviously, what'd be ideal is increasing growth while reducing debt. But, of course, lowering spending shrinks the economy rather than expanding it. Is the trend toward austerity, in Europe as well as the United States, counterproductive?

Of course, if you are on the brink of collapse, like with Greece, you may have no choice. But in general, in the short term, radical austerity is a high-risk strategy. A country can reduce its deficits—and, long-term, its debt—partly by reducing growth in expenditures and increasing revenue through tax increases. But government also needs to invest in growth. And government has a role to play there in some of the basic functions, such as education, infrastructure, research and development, health care, and good government in general. All of that is necessary to create the environment for businesses to flourish. Austerity programs risk pulling back on some of these functions and actually make it harder rather than easier for business to operate in a conducive environment. The United Kingdom made that choice and is currently seeing considerably slower growth than many other advanced economies.

At the same time, there's no obvious strategy to pursue in finding the right balance between managing the government budget and investing in the economy. There's going to be a lot of wheeling and dealing between political parties and political philosophies and trying out of different policies, some of which may work better than others.

3%

GLOBALLY, WE'LL SEE GROWTH SLOW TO AROUND 3 PERCENT IN 2012.

What about austerity efforts that don't just reduce education spending but actually pull money out of the economy by, say, cutting off unemployment benefits?

Well, one is investment and the other is stimulus, which you do when you're about to fall off a cliff due to recession. In 2008 and 2009, in the Western economies, we had little choice but to have government step in and play a countercyclical role to help avoid things getting worse. Some countries, like Germany, chose to subsidize labor to some extent; others increased unemployment benefits to give people time to get back on their feet. But those are short-term measures. The long term is about investment strategy, not about stimulus.

It's conventional wisdom that lawmakers have very little actual power when it comes to affecting economic growth one way or the other. But it seems as though, since 2008, the public debate has focused almost exclusively on political decisions and policy choices rather than business cycles. Are we all talking about the wrong things?

I think that policymakers do make a difference. An economy doesn't operate by market forces alone—it's dependent on actions of business and consumers and government. There is a clear role for government in creating an environment in which business gets new opportunities. Yes, government should get out of spaces where it doesn't have to be and let business do its thing. But government needs to be where there are so-called external effects, which means that additional positive value gets created from investments that businesses don't make on their own. For example, spending on basic research is often not done by many businesses because they cannot internalize all the benefits from the investment.

Government also has a role to break down vested interests. This is particularly important coming out of a crisis, because you want to create room for new initiatives and new sources of demand.

Many corporate leaders seem to be sitting back and waiting for policymakers to somehow create different conditions for doing business. Should CEOs be taking a bigger role in making growth happen, or are they right to keep waiting?

Well, CEOs are there to run their businesses, not to run the country; they're there to produce products and services that generate return and earn a profit. Now, that doesn't mean that they don't have many interests, such as better education and healthy people, that align well with those of the country as a whole. They're part of the social fabric.

Companies are made up of human beings, of workers who are coming together to produce those products and services, and those workers need to be rewarded. They need incentives to invest in themselves, in their own human capital. And, after all, these are tomorrow's consumers.

Is it finally hitting home that middle-income workers are also middle-income consumers? That we can't expect consumption to rebound if people don't have jobs?

At the macro level, it's obvious that workers are also consumers; at the business level, it's not. From a human-capital perspective, investing in your people and giving them the incentives to invest in themselves benefits your business—and makes your people better-rounded citizens.

That recalls your identifying of "investment in intangible capital" as a driver that moves the economy forward, for future growth. You're talking about spending on things like R&D and product development, right?

R&D, product development, software, design—and then investments in your organization, such as better business models, worker training, branding, and marketing. If you look at the private intangibles that the business sector is producing, they now account for about 14 percent of U.S. GDP. That's more than investments we make in bricks and mortar, in buildings and machinery. But we don't treat these expenditures as investments—we treat them as expenses. If you reclassify these as investment, you begin to see how worthwhile they are for the strategic advantage of business. If you treat these so-called expenses as investment, you need to appreciate it, to maintain it, to renew it, to keep it going. That kind of mindset is going to make a difference for more or less successful companies in advanced economies. The intangibles concept is going to be really important as a driver of growth.

Won't CFOs see this as just as an accounting trick?

That's one of the problems with this. A lot of intangibles are hard to price.

They're intangibles, after all.

It can be a nightmare for CFOs! But I think the strategic importance of this is so great that we need to get ourselves over that hurdle and begin to see intangibles as a core driver of growth. It's easier for services firms: Intangibles aren't just part of their inputs or resources—to a large extent, it's what they're selling. And thinking about it from that perspective makes your business model look completely different.

Speaking of new business models: We keep looking to innovation as a magic bullet that will rescue the economy—surely the next big thing will create jobs for everyone, right? But companies such as Microsoft and Google and Apple create very few actual jobs, and some economists have argued that future innovation is likely to destroy jobs, not create them.

Since the Industrial Revolution, creators of technology have always destroyed jobs. New technologies often substitute for labor, which in advanced societies becomes more expensive. So the fact that today's technology producers generate few jobs is not surprising. What's important is that the technology gets diffused and used in the rest of the business sector, that it gets invested and creates new business activities, new processes, and new markets for products and services. That's how technology helps create more jobs—it creates new opportunities for business. There are losers that have to leave the market, and there are winners that are able to grow market share and build new markets.

If you look back at the previous IT wave in the 1990s, we saw this effect in some of the services sectors, such as retail and trade. Part of this was on the back of a consumption boom, but part was the technology that made services available at significantly lower cost, thereby creating more volume and more jobs.

The next wave—I think that IT hasn't run its course—might see an impact in health care and education or other services. Opportunity for growth is definitely there, but it will be in an environment where old practices will disappear and create unemployment along with new jobs.

You've written about how companies and countries should focus on increasing productivity rather than on adding jobs. But isn't higher productivity one reason why job growth has fallen over the last decade?

Yes, in the short term: If you raise productivity, you lose jobs. We saw that very clearly in the last recession, where in particular U.S. businesses were able to hugely increase productivity while shedding jobs. But longer-term, it's not true. Companies that become more productive produce better products and services at lower prices and, therefore, create new markets and grow. So in the long run, the most productive firms are the ones creating new jobs.

Now, how that comes out at a macro level depends on a lot of factors—for instance, on demand. If you're in a slow-demand economy, it's hard to actually grow a business, so there may be more losers than winners. But if the economy starts moving forward, you'll get more winners than losers, and more jobs.

By contrast, low-productive jobs create the products and services that become too expensive, and we get outcompeted and stop innovating. It can't last. It's a temporary fix that does nothing to put the economy on a higher growth path.

For some workers, *productivity* is something of a dirty word—for the last several years, the people actually responsible for generating more revenue have seen little or none of it. Isn't the productivity gap a big driver of income inequality?

The link to inequality is a complex story, particularly in the middle-income group, where we've seen most of the substitution of technology for jobs. Technology, particularly IT, has been replacing the routine tasks of occupations that are held by people in the middle segment.

Don't economies always adjust to that kind of shift fairly quickly?

The speed by which you can adjust depends in part on the speed in which the economy is growing. There are also problems at the outer ends of the distribution. The most visible segment is the top 1 percent—really, the top 0.1 percent—where there's a huge concentration of income in a very small group. The top 0.1 percent takes home around 12 percent of U.S. income, largely related to extremes in financial-sector performance, and that leads to misallocation of resources and capital in the economy. We lost the link between the financial sector and the rest of the economy in terms of its role in allocating capital to where it is most needed.

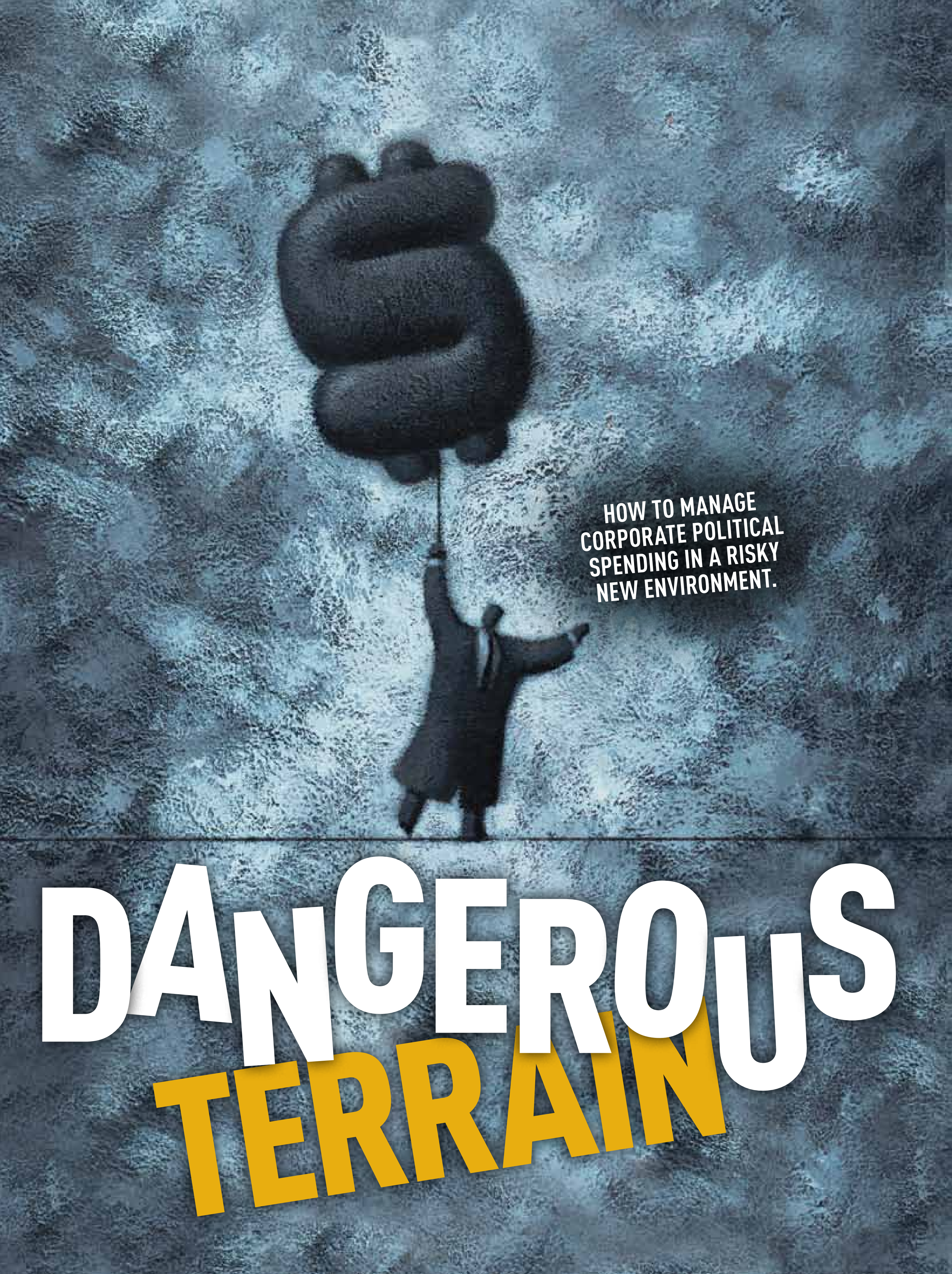
In the bottom segment, about 15 percent of U.S. households are below the poverty line—and what I find most striking is that three-quarters of those are in the labor market. They are under-rewarded for their work, to the extent that they're not able to even pay for the goods and services that they're producing. For an economy, that is not sustainable. There's a very large human growth potential that needs to be driving our economy forward rather than pulling it back.

Obviously, most of the attention has gone to rising inequality in the United States. Are we seeing the same trends globally?

Yes. In some European countries, the difference between the top and bottom income deciles is as high or higher than in the United States. Even egalitarian countries like Sweden and Germany have seen large increases in market income at the top. But what these countries do have are redistribution systems that reduce these inequalities after taxes. We have some of that in the United States too, but not all that much. I have also been struck by the fact that Japan has seen a rapid increase in poverty, and this is really worrying—that a country well known for having a strong social safety net is, in a slow-growth environment, unable to make its social-welfare mechanisms work anymore.

That's a problematic outlook for the United States. If we get stuck in a slow-growth lane, we really run the risk that people at the low end will be cut off from providing human capital that we could be using much more productively. And tackling these problems is the responsibility of society *and* government *and* business. ■

> "Investing in your people and giving them the incentives to invest in themselves benefits your business—and makes your people better-rounded citizens.



DANGEROUS TERRAIN

HOW TO MANAGE CORPORATE POLITICAL SPENDING IN A RISKY NEW ENVIRONMENT.

BRUCE F. FREED is president and co-founder of the Center for Political Accountability and co-author of The Conference Board's Handbook on Corporate Political Activity. KARL J. SANDSTROM is counsel of the Center for Political Accountability and of counsel to the political-law practice of the Washington, D.C. office of Perkins Coie. They both serve on the advisory committee of The Conference Board Committee on Corporate Political Spending.

THAT DREADED SEASON IS HERE, SOONER THAN EVER BEFORE. Thirty-second political TV spots are beginning to crowd out ads for cars and banks, glossy mailers are infiltrating mailboxes, and robocalls are dropping into voice-mail inboxes. Crossroads GPS and Priorities USA, representatives of a new breed of well-funded, well-connected political players, have already been on the air across the country for two months—their slashing TV ads launched fully a year before the upcoming election.

Over the next eleven months, pundits will lament the profusion and tenor of the ads, along with the astonishing sums of money funding them. And we'll hear plenty of commentary and speculation about the sources of that money. Candidates will trumpet the number of small donors to their campaigns, but big funding this time around—as a result of a controversial Supreme Court decision—will come by way of third-party advocacy organizations and from corporate, trade-association, and union treasuries. The source of much of that money will be hidden from the public, offering a measure of anonymity for companies looking to influence elections.

This outsourcing of campaign spending is the single biggest change in how corporations must handle their political engagement, and if there were ever a time for businesses to be extra cautious in their political spending, now is that time.

The press, shareholders, and the public will all be closely watching corporate political spending; growing public cynicism about government and politics will cast corporate political spending in the worst light. Executives need to assume that their companies' political activity will be subject to public scrutiny and debate. Social media, along with heightened shareholder and public concern, make it easier than ever for advocates to mount a noisy protest or boycott. Remember the mess in which Target found itself after giving $150,000 to a pro-business political group that also happened to oppose gay marriage. Or the criticism that Koch Industries has fended off after journalists exposed the extent of the company's free-market political activism and use of shadowy conduits.

Of course, it'd be easy to counsel that corporations simply stop making political expenditures. But that's not only unlikely—more on Howard Schultz's no-contributions pledge later—but naïve. Most companies will continue to play the game because their competitors are staying in.

So the issue is how to manage spending. And the playing field looks very different this election cycle, in ways that carry new risks for companies determined to engage in politics. The risks go beyond a company's reputation. They also involve exposure to political shakedowns and the danger that the money will be used for purposes that conflict with a company's values and objectives.

BY BRUCE F. FREED AND KARL J. SANDSTROM

THE NEW 800-POUND GORILLAS

No longer are candidates and political parties the only players seeking corporate support. Today, a variety of new players on the political stage—Super PACs, 501(c)(4) organizations, and trade associations—are asking corporations to underwrite their political programs. These third-party advocacy organizations are becoming increasingly prominent, displacing political parties as the principal advocates for candidates and causes. Though often associated with a prominent politician or political party, they are ostensibly independent. At the same time, some activists have figured out how to use them while concealing the true source of funding and the true object of the spending.

For companies, the dangers associated with supporting these organizations are qualitatively different from traditional support for candidates and political parties. When a company contributes to one of these outside groups, it cedes control over the use of its funds while remaining accountable to its customers, shareholders, and employees on how the money is eventually spent. These third-party groups determine how the money is used; they control the message and decide which candidates to support. A contributor's own goals and intentions can be easily ignored. Lacking basic internal controls and external accountability, the groups spend as they please. And if that spending generates scandal—all too possible—a company giving money can find itself mired in controversy and, as a passive contributor, unable to control the narrative.

In this shifting environment, with new campaign-finance laws and guidelines—and new political organizations popping up overnight to support or attack candidates or proposed legislation—it's no surprise that few companies are sure how to handle political spending. The U.S. Supreme Court's decision in *Citizens United v. Federal Election Commission* altered the playing field for corporate participation, and the full impact of the expanded role of trade associations and the growth of the Super PACs and 501(c)(4) groups have yet to be fully realized.

What has occurred in just the last two years marks a near-tectonic shift in the political landscape, and corporations must decide how they are going to respond. This includes examining the costs and the dangers of outsourcing their political activity to these new players. At the same time, the uncertain regulation and the cloaking of the source and use of money going into politics poses a growing legal, reputational, and business threat to companies that spend. As companies face heightened pressure to spend more in politics, they find themselves with fewer tools available to track how their money is being used, which all leads to more risk related to political spending.

A CHANGED LANDSCAPE

How did we get to where we are today? First of all, campaign-finance laws and regulations have changed dramatically since 2010. *Citizens United* opened up new avenues for political activity for corporations, allowing them to spend unlimited amounts on ads advocating the election or defeat of a candidate. In addition, third-party groups spent nearly $300 million in the 2010 midterm elections, more than double the amount spent in 2008. The 2012 elections, expected to cost upward of $6 billion, will be defined by the new direction of political spending.

To be sure, not everything has changed: It remains illegal for corporations to make direct contributions to candidates

IN THIS SHIFTING ENVIRONMENT, WITH NEW CAMPAIGN-FINANCE LAWS AND GUIDELINES—AND NEW POLITICAL ORGANIZATIONS POPPING UP OVERNIGHT TO SUPPORT OR ATTACK CANDIDATES OR PROPOSED LEGISLATION—IT'S NO SURPRISE THAT FEW COMPANIES ARE SURE HOW TO HANDLE POLITICAL SPENDING.

in federal elections. But now corporations can have much greater influence with their political spending. Prior to *Citizens United*, corporations could finance political advertisements only through PACs, which are funded through voluntary contributions and must file frequent, detailed reports with the Federal Election Commission. Today, corporations can fund such ads, directly or through trade associations or 501(c)(4)s, so long as they do not coordinate with a candidate's campaign.

These groups can function, in effect, as a separate fundraising arm for candidates, although they must follow the law to ensure that there is adequate separation. But the close association between Super PACs and 501(c)(4)s and candidates' campaigns is almost inevitable, especially as these outside groups become more successful at raising funds than the campaigns themselves. Should there be an actual coordinated effort between the groups and a campaign and/or the government begins to watch Super PACs and 501(c)(4)s more closely, corporate involvement will be caught in the crossfire. State agencies are also starting to get more aggressive in their efforts to rein in the influence of Super PACs.

Often, these new organizations are associated with a particular candidate or political party. Priorities USA, for example, is a Democratic group associated with President Obama's reelection campaign that runs attack ads against Republicans, while the American Action Network, a group led by former Republican senators and former campaign advisers, is running issue ads attacking the Obama administration's policies. Supporters and former aides of presidential candidate Gov. Rick Perry founded at least seven Super PACs in 2011.

The new power of the Super PACs and associated advocacy organizations has reached stunning levels. A quick look at the Super PAC American Crossroads and its affiliated nonprofit 501(c)(4), Crossroads GPS, shows the strength of these groups to direct fundraising efforts.

After raising $71 million through political and issue-advocacy efforts in 2010, the groups recently announced plans to raise $240 million by 2012.

Although these groups often work in a behind-the-scenes fashion, they can sometimes attract a lot of attention, which may or may not be good for those corporations that contribute to them. In 2011, for example, in California's 36th Congressional District, Democrat Janice Hahn and Republican Craig Huey were fighting to replace retired Rep. Jane Harman (D) in a special election. The race garnered national attention when the Super PAC Turn Right USA produced an Internet-only advertisement that featured cursing rappers and a stripper imitating Hahn and gyrating on a pole. The spot was intended to criticize a program backed by Hahn to help former gang members but ended up being widely denounced, by both sides, as racist and sexist. Hahn won the election. But some company may indeed have donated to Turn Right USA and then been startled to see the results. The anonymity that campaign-finance laws now afford means that we'll never know.

A CONFLUENCE OF CHANGES— more money being spent by outside groups, increased secrecy, and weak regulation—could lead to confusing times for corporations that want to be engaged in politics.

Indeed, there's much less accountability in political spending than there used to be. The movement toward disclosure that began with the Watergate-inspired 1974 amendments to the Federal Election Campaign Act and continued through the Bipartisan Campaign Reform Act in 2003 has now turned around. Because of their secrecy, advocacy organizations are free to transfer money to other organizations, clouding accountability and the traceability of funds. Such practices only exacerbate secrecy and risk for the companies that contribute to these groups.

As official regulation of political spending is weakened or eviscerated, it falls to corporations to police themselves. The consequences of weak regulation can be staggering. A 2009 International Monetary Fund study shows how mortgage lenders spent millions in political donations, campaign contributions, and lobbying activities to defeat legislation aimed at predatory lending. Their success in quashing a regulatory response that could have mitigated reckless lending practices and the consequent rise in delinquencies and foreclosures led the study's authors to conclude that the financial industry's political influence poses a risk to itself as well as to the economy. Weaker regulation can lead to lax practices, which further lead to a system that can veer out of control.

This confluence of changes—more money being spent by outside groups, increased secrecy, and weak regulation—could lead to confusing times for corporations that want to be engaged in politics. Some say the changes will bring back the days of the Watergate scandal, but the rules of the game have changed so much that a new kind of response is needed.

The very practices of Watergate—corporate cash being funneled secretly to a campaign—are now on full, legal display. It's the players in the new political-money world that are shrouded in secrecy, and the full impact of that secrecy is not yet understood. Over the past few decades the names of political donors have largely been disclosed, even by independent groups, but no longer. In 2004 and 2006, nearly all independent groups involved in politics revealed their donors, according to a report by Public Citizen. In 2008, fewer than half of these groups disclosed donors, and in 2011, less than one-third did. If companies continue to be a part of this "dark" part of political spending, they will find themselves even more at risk.

"PUBLIC ANONYMITY, PRIVATE DISCLOSURE"

When Kansas-based public utility Westar Energy found itself in financial trouble, it looked for political aid. In 2002, Westar coordinated a series of contributions by the company and its top executives to influential members of Congress and their allies. These donations—in a memo, the VP for public affairs specified the dollar amounts to be given by at least a dozen executives—were timed to help ensure that legislators would include a provision beneficial to Westar in the annual comprehensive energy bill, then in the late stages of congressional consideration.

The executives made the recommended contributions, and one of the targeted congressmen inserted Westar's requested exemption into the bill. But the following year, when the seeming quid pro quo became public, Westar found itself under federal investigation for fraud and executive misuse of its resources; because of changes in its accounting that were related to the fraud charges, it had posted a $793.4 million loss in 2002, the period when the political contributions were made. In addition, after CEO David Wittig—who had hoped to personally clear as much as $15 million from splitting up the company—was indicted for fraud, Westar shareholders sued the company for $100 million.

Of course, business/government symbiosis is rarely this open—and rarely ends so badly. And a properly measured connection between business and government can be mutually beneficial for all parties. But the growth of third-party groups threatens the balance by concealing both the money going in and the money going out. Without disclosure, independent groups can potentially mislead corporate contributors; companies then have no recourse, nor can they follow their competitors' behavior. Indeed, at the same time that companies are under increased pressure—from candidates as well as the new third-party organizations—to spend more in politics, they have fewer tools available to track their money and monitor its use.

TELLING ALL

The CPA-Zicklin Index, introduced in late October, shows that voluntary disclosure of political spending has become a corporate mainstream practice. The Center for Political Accountability, in conjunction with the Zicklin Center for Business Ethics Research of the University of Pennsylvania's Wharton School, created the index to rate companies in the S&P 100 for the quality of political disclosure and accountability policies and practices. Among the key findings:

- Fifty-seven of the S&P 100 companies either disclose their direct corporate political spending and have adopted board oversight—or they bar spending corporate cash on politics altogether.
- Forty-three companies in the S&P 100 disclose some information about their indirect spending through trade associations or other tax-exempt groups, including 501(c)(4)s.
- Thirty companies place some prohibitions on using corporate funds for political activity.
- Twenty-four companies state on their websites that they will not make independent expenditures, as *Citizens United* allows.
- Sixteen companies spend no treasury funds directly on candidates or political committees. Two companies—Colgate-Palmolive and IBM—go so far as to prohibit use of corporate funds for either direct or indirect political activity.

—B.F.F. and K.J.S.

With the emergence of 501(c)(4)s, companies face another threat—extortion. Some of these groups, such as Crossroads GPS and Priorities USA, are run by political operatives who have close ties to elected officials and who very likely share with them how companies are responding to requests for contributions. The situation might best be characterized as "public anonymity, private disclosure," and it leaves companies vulnerable to pressure.

The new advocacy organizations tend to be controlled by a few individuals: for example, former Sen. Norm Coleman for American Action Network, and Bill Burton, former top Obama aide for Priorities USA. This tight control means that contributors have little ability to hold the groups accountable for use of their money, and that there are few, if any, checks on their work. The organizations have no obligation to report back to their donors.

It's not hard to conjure scenarios in which executives wind up in embarrassing news articles. In the Watergate debacle, Nixon administration officials may have garnered all the headlines, but in 1974, twelve corporations and seventeen corporate executives were indicted or pleaded guilty, mainly to charges of making illegal campaign contributions. Watergate's shakedown badly burned the business community, and years later, the lessons remain for companies and their executives: The likely outcome of secrecy is scandal and damage.

MISALIGNED AGENDAS

Companies may think they can avoid the potential risks of political spending by "outsourcing" their giving: Use third-party advocacy organizations, and in that way your company is insulated. In fact, a third party can cause even more headaches for a company.

With many groups keeping their donor lists secret, companies may be lulled into thinking their identities are safe and, therefore, that whatever donations they make are untraceable. Some 501(c)(4)s may promise that they will keep a company's contributions secret, but that is a promise they are in no position to guarantee. The extent to which these organizations must disclose donors when they engage in independent expenditure or electioneering activity is a highly contested issue in the Federal Election Commission. (The commission is currently deadlocked, and the question is also the subject of a pending case in federal court.) And apart from legally compelled disclosure, the information could leak out anytime.

A company that hides its political spending because it fears it may alienate its customer base, shareholders, or employees—or, worse, may cause legal problems—should reevaluate its political expenditures entirely.

LOWER YOUR RISKS

There is no substitute for a clear policy of not giving money to third-party groups for purposes of political spending. However, if a company decides to go that route, there are ways to better position itself. A few steps to help avoid outsourcing risks:

- Take steps to *protect your company* and take ownership of your action. Do not allow yourself to be a silent partner.
- Ask for *regular updates* from trade associations—small courses of action can head off large problems.
- Place *restrictions on how company money can be used* by recipients. For example, Microsoft prohibits use of its money directly or by third parties for independent expenditures or electioneering communications. Wells Fargo does not allow its corporate funds to be used for political spending except for ballot initiatives and tells its trade associations to confirm that its money will not be used for restricted purposes. Merck does not contribute to judicial elections.
- Always be sure to *consult with in-house and outside counsel* to ensure compliance.
- *A critical mass of companies* will make a difference and protect all companies. It will establish best practices to help companies navigate political spending and make political disclosure and accountability a corporate governance standard.

—B.F.F. and K.J.S.

There is also an elevated risk of misalignment between a trade association and a company when the company and its investors are kept in the dark about the association's political expenditures. Corporate membership in trade associations is important, but so is association accountability. Good corporate governance should lead companies to assure that their trade associations do not engage in activities or use their funds in ways that may damage a company's reputation or are at odds with its stated values, public policy, and business objectives.

A trade-association group can easily end up supporting candidates whose positions run counter to those of contributing companies and even their own association. Last summer, the U.S. Chamber of Commerce, which spent about $30 million a year earlier helping to elect Republicans to Congress, found itself in the awkward position of asking those same officeholders to support an issue they campaigned on but then did not support. The newly elected representatives were staking positions against increasing the debt ceiling; the Chamber argued that the ceiling needed to be raised. Ultimately, legislators grudgingly agreed, but the crisis led to Standard & Poor's downgrading its rating of the U.S. debt.

STANDARDS OF SELF-GOVERNANCE

In this bewildering environment, some prominent executives are taking the initiative in asserting control. Last August, Starbucks CEO Howard Schultz caused a stir when he pledged—in full-page newspaper ads—that he would make no further personal campaign contributions until politicians reach a "transparent, comprehensive, bipartisan debt-and-deficit package." He encouraged other business leaders to join him, and more than one hundred leaders have signed the pledge, including Nasdaq CEO Bob Greifeld and NYSE CEO Duncan Niederauer.

And organizations are looking to establish new rules. In its *Handbook on Corporate Political Activity*, The Conference Board outlines how board oversight of corporate political spending assures accountability within a company and accountability to shareholders and to other stakeholders. The report recognizes the hazards of political spending and demonstrates to the business community that board oversight of political spending is an emerging best practice. It urges companies to "rigorously evaluate the means, rewards, and risks of political spending or they could suffer penalties, prosecutions, and tarnished reputations as a result of political spending activities."

Companies should also recognize the ethical implications of business decisions, which in turn help them meet their needs without compromising corporate values. A company grounded in an ethical culture will do more than comply with existing laws—it will also take steps that "encourage directors, senior managers, and other employees to hold their own and others' actions to well-articulated company standards."

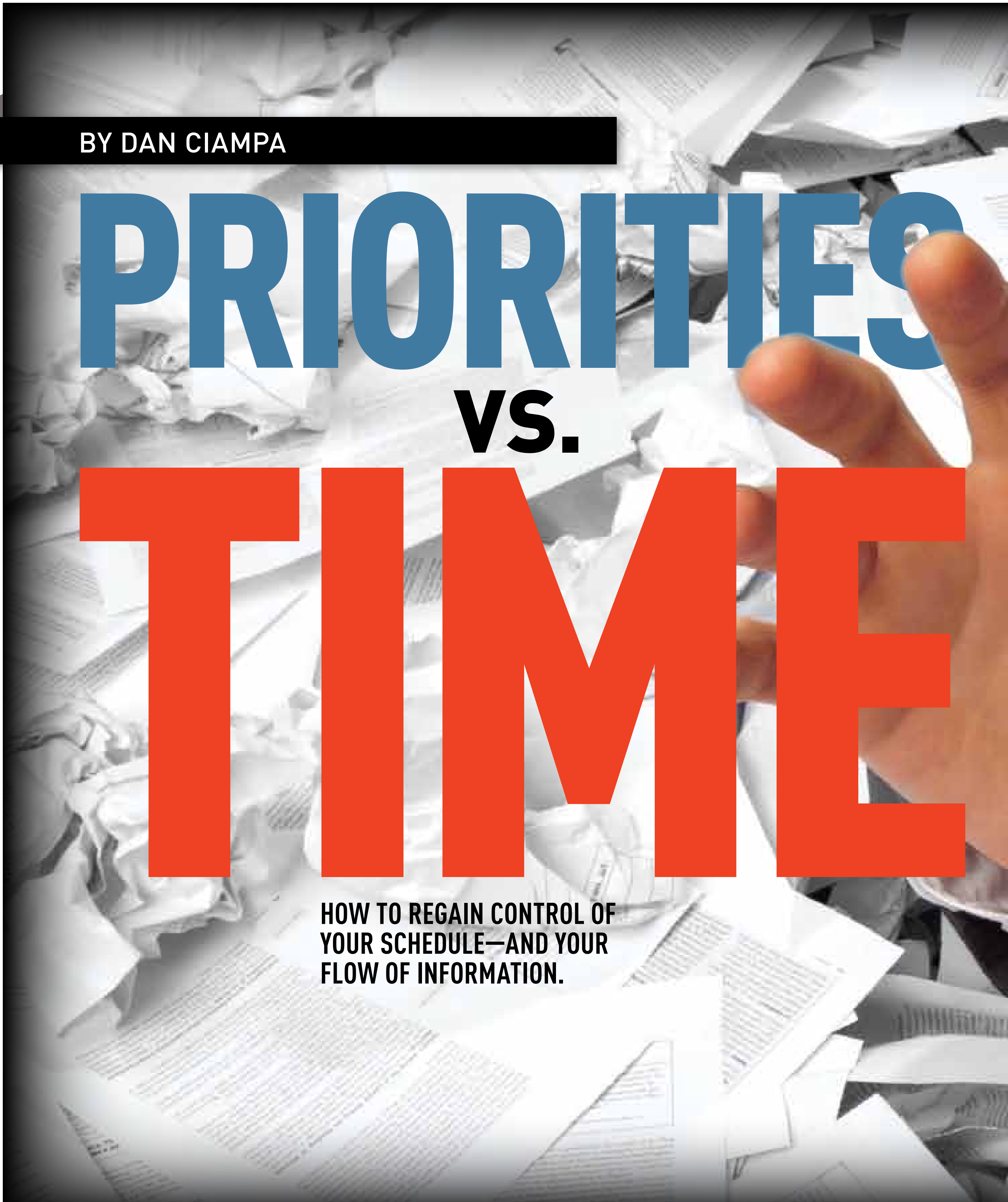
> Companies may be lulled into thinking their identities are safe and, therefore, that whatever donations they make are untraceable.

In the long term, political spending can have real consequences for a company's well-being. Some companies may decide to fully embrace disclosure; one study found companies with pro-disclosure policies to generally carry higher shareholder value. Other companies may opt for better vigilance of their donations, while others may decide to forgo political spending altogether. Whatever course of action a company chooses—no political spending, spending with disclosure, restricted spending—there are ways to make that choice a safer one.

Companies can seize this moment to take more control of their political spending. Executives ought to know that political disclosure is becoming part of the corporate mainstream and that more companies are exercising greater control over the use of their money. There are many changes and new freedoms now, but it is up to companies—not government—to recognize the heightened risks involved in political spending and do their best to secure their own futures. ■

BY DAN CIAMPA

PRIORITIES vs. TIME



HOW TO REGAIN CONTROL OF YOUR SCHEDULE—AND YOUR FLOW OF INFORMATION.

DAN CIAMPA is an adviser to senior leaders and boards of directors during CEO transitions. His last two books are *Right From the Start* (with Michael Watkins) and *Taking Advice: How Leaders Get Good Counsel and Use It Wisely*. His most recent article was "*No Sense of Urgency*," the April 2009 Web-exclusive feature.

IT'S HARDLY NEWS THAT EVERY TOP JOB IS MORE COMPLEX AND CHALLENGING THAN EVER BEFORE, OR THAT SENIOR EXECUTIVES TODAY FACE EXTRAORDINARY—AND GROWING—PRESSURES FROM BOTH OUTSIDE AND INSIDE THE ORGANIZATION. You're reminded every time you scan *The Wall Street Journal*, every time your Outlook calendar reminds you of an upcoming meeting, every time your BlackBerry buzzes.

The challenges press in from every direction: strategic, tactical, and operational. Globalization has led to complicated supply chains that are easily disrupted as they crisscross unstable borders and depend on suppliers in different cultures half a world away. Achieving promised cost savings depends on making sure everyone at each organizational level performs well. Federal regulations are in flux; those in foreign markets are often as opaque as they are contradictory. And increasingly, regulators and institutional investors are holding top executives personally accountable for their companies' actions and developments.

Internally, technology has made it easier for the leader to communicate with employees, but the new transparency has compromised confidentiality and left decisions and processes open to questions and challenges from the mailroom on up the ladder. And unlike generations of predecessors, today's CEO is expected to be as adept at managing the organization culture as she is at managing the P&L.

Operationally, things aren't any easier. Traditionally, being the low-cost producer came at the expense of product quality. Or if top-line growth was the objective, a culture stressing involvement and collaboration had to wait. But today, boards demand that executive teams deliver high returns while also producing top-quartile revenue growth, low costs, and fruitful innovation programs—and nurturing the next generation of leaders.

In short, the pressure on people at the top is intense and unrelenting. They are leading during a time of no tradeoffs, no patience, and little if any margin for error. In instituting new strategies, requiring fundamental alterations to the way work is done, CEOs are forced to operate at an accelerated pace even while facing difficult decisions that demand careful deliberation, such as diverting capital from known activities to new ones that are unproven, changing the organization's structure, and replacing people who have been loyal but are unsuited to the new strategy.

For almost anyone occupying a corner office today, it is common to wonder whether his organization will have the capacity and resilience to meet the challenges and demands he recognizes from his position at the top—and whether he himself will have the prescience to anticipate unforeseen problems, the experience to choose between uncertain paths, or the time to do all that is required. As one CEO put it, "I came up through Finance. I'm a good linear thinker, trained to be a world-class checkers player, and I'm proud of that. But for this transformation we've started here, I've got to be good at something a lot more complex—and it's not just chess but three-dimensional chess."

Meeting the promises of an annual operating plan requires leaders to constantly compensate for ever-changing demands of issues both within and outside of their control; the goalposts are always moving. The good people respond by setting out to sharpen the decision-making, analysis, and communication capacity of the office of the CEO. They also ensure adequate coordination to and within their senior management teams. But for the leader who in addition must implement companywide change efforts to ensure that the organization is prepared to meet the demands of the future, more is needed. No surprise, then, that many executives facing this dual challenge follow a schedule not aligned with their most important leadership priorities. They find themselves unprepared for meetings, surprised by developments that should have been anticipated, forced to make decisions based on mountains of undigested data—and struggling to find time to make it all happen.

Now, no strategy will add hours to the workweek or the ability to work 24/7, and you can't just offload half your key decisions to someone else. But the chances of success improve greatly with some rethinking of use of time and priorities—and, perhaps, some particularly strategic staff support.

WHEN IT'S ALL TOO MUCH

In week-to-week work, the tide of responsibility rises steadily but slowly, and you may face problems ahead without even realizing it. But in two situations in particular, the pressure is particularly acute: first, when a new leader is promoted or hired to the top spot for the first time and has inherited a new strategy that calls for change; second, when a veteran leader who has run a successful organization for some time decides that it must change in order to continue to thrive. Consider the experiences of two executives with whom I've worked recently.

THE NEW LEADER

John had spent his career in a large corporation known for its disciplined decision-making and shrewd strategic moves. Its information and commercialization systems had been forged through the trials of crises from which the company had learned. As a result, John's generation of managers had thrived in an environment where decisions depended on the quality of data and where people were expected to be prepared for meetings, which always started and ended on time.

Like those of many of the company's most talented managers, John's name was on lists of most of the large search firms. When one call was too good to pass up, he became CEO of a smaller competitor. Still in his 40s, he had the chance to run his own show in a company with exciting new products in development.

But John was soon frustrated by two problems that became clear to him only after he'd started. The first was the capacity to deliver all the strategy promised. While the company's growth potential was as promising as it had been portrayed and the basic outline of the strategy that John had heard described in the interview process was sound, he discovered gaps that had to be filled. Overly optimistic funding formulas had to be rethought to ensure that there was enough capital to pay for what was necessary to grow. Also, the strategy depended on cooperation and information-sharing with suppliers at a level that did not exist.

John was confident he could address these challenges—if only he had enough time. That's where the second problem came in.

He found himself constantly annoyed by a general lack of discipline: reports poorly written, people regularly late for meetings, and decisions not carried out because of inadequate follow-up after they had been made. Also, the information that came to him was often incomplete or too late for him to take action. As a result, John spent much of his time seeking clarification and reconstructing background rather than choosing among options that his managers had thought through.

At the start of each week, he prepared a list of priorities, but by Friday he had spent little time on any of them. He said he felt like "the COO, the CFO, and occasionally the VP of operations instead of the CEO. I'm just not spending enough time on the big issues, the things that will shape our future. That's why I came here, but I just never seem to get to them."

Even worse than being unprepared to deal with these two problems was that they came as a surprise to him. Before day one as CEO, John carefully studied the strategy, operating reports, customer data, and R&D plans. But he skipped the processes and culture—the things that determined how the company he was about to lead actually worked. As he put it, "I knew that this company wasn't like [my old one], and that one reason I was hired was the discipline [I could instill]. But I didn't realize how bad it was. I thought I came in prepared, but I should have been more careful about it and asked more questions."

It hadn't occurred to John that his new company might lack the decision-making infrastructure, teamwork, and managerial discipline that he took for granted. He understood only after he'd been on the job for a while that behavior and attitudes had to change for the strategy to reach its potential and for him to succeed personally. Finding the capital and shaping supplier partnerships for the new strategy was complicated enough, but now he realized that, in addition, the culture had to change.

THE VETERAN LEADER

Jane had led her company for years, guiding it through market meltdowns and product recalls as well as spectacular growth. Her dedication to her employees along with a tireless work ethic engendered deep loyalty to her, and competitors and board members alike respected her ability to make tough decisions along with a keen strategic sense of the market. She was approaching her sixty-third birthday, and while she had no intention of ever fully retiring, she recognized that it would soon become more important to devote time to her several grandchildren and soon-to-retire husband.

At the same time, she believed that her company was entering an era of great opportunity but also great risk. Globalization was putting increasing pressure on costs and complicating supply chains throughout the industry. In response, there were early signs of consolidation, lower-cost foreign competition had become fierce, and customers were demanding better service, greater product variety, and more features. Jane had never before seen such a combination of competitive forces.

On one hand, the challenge of it all invigorated her; she'd noticed that her energy increased and focus sharpened as things became more complex and tougher. At the same time, she was as concerned as she'd ever been about the business's long-term prospects. As the list of decisions and problems lengthened, she worried that the organization's capacity to extend its perennial profitability was becoming more and more limited. There had been a few retirements of people on whom she had long depended, and while their replacements were adequate for the challenges of today, Jane had limited confidence in their ability to ensure the business continued to thrive given the market conditions she foresaw.

Slowly, a four-part strategy became clearer in her mind. Part involved selling off two divisions whose prospects were limited over the long term but could fetch good prices today. Another part was a product-development and licensing alliance, something she had never done, with a large corporation. Next was an acquisition of a smaller but rapidly growing competitor, something that would be expensive and also difficult to integrate because of cultural differences. The fourth part of her scheme was a way to solve what she saw as her succession problem: There was no one inside who could be her designated successor, and she had little confidence that she could find the right individual to hire as her number two. The company she targeted to acquire, though, had been started by a young man, now in his late 40s, who had impressed her. She believed that by offering him the COO title of the much larger, combined company—along with an agreement that he'd be first in line as her successor—the deal was more likely, and, at the same time, she'd have her backup. Jane would stay as chairman and CEO for a couple of years, make sure things were working well, then give up the CEO title and remain chair for another two or three years. It all looked good on paper.

GETTING EVERYTHING UNDER CONTROL

John and Jane's situations are each unique. They have quite different styles, are at different career points, and face different challenges. There are, though, three similarities: Both are trying to do what they haven't done before where success depends on complicated strategies that require capabilities their organizations had never displayed. Both are largely on their own as they see needs that must be met but that are not recognized by the people who work for them. And both already had full schedules but now have very little time available for unexpected events or if something goes wrong.

As Jane put it, "I'm getting clear where I need to get to and am pretty sure about how to get started, but I don't know how it's going to go because we've never gone through something like this before. Pulling this off is not going to be easy. There are a lot of moving parts. I've got to think all this through carefully. . . . I'm the only one who can do this. But I have my full-time job of running the company, too. I can't stop running meetings or seeing customers or driving the business day-to-day. If I could clone myself and be in two places at the same time, I'd feel a little more comfortable."

Where to begin? First, these leaders must have more time to adequately deal with the myriad problems and choices they face. One CEO reflected this by asking: "How do I gain another 20 to 30 percent?"

By being at the top in a situation demanding significant change, they have accepted the responsibility to do two jobs. Job one is to meet, in the short term, the no-tradeoff demands of accelerated pace, higher complexity, and tougher targets. To do so, they must get people to operate in new, unfamiliar ways without first completing the time-consuming task of changing the culture and establishing new systems and processes. The other job, needing a longer-term view, is to position the company for the future by formulating new strategies and putting in place a different culture based on new attitudes as well as processes and systems.

Satisfying the needs of today while implementing a new strategy requires time that is unavailable to the sitting CEO. The answer to the CEO quoted above looking for another ten hours a week is not to try to find more hours to add to an already full load, but to reallocate how she uses her time today and to get more help on the most complex issues she faces. Figuring out how to do that requires a certain focus.

SATISFYING THE NEEDS OF TODAY WHILE IMPLEMENTING A NEW STRATEGY REQUIRES TIME THAT IS UNAVAILABLE TO THE SITTING CEO.

Leaders with a change agenda must be able to focus with equal intensity on four areas that are quite different:

1. **STRATEGIC:** which products and markets are most promising, what the best way is to compete, and what culture will best fit the strategy.
2. **OPERATIONAL:** the efficiency and effectiveness of how the company gets done what it must and its capacity to meet near-term commitments.
3. **POLITICAL:** the leader must shape relationships needed for support and assess both useful as well as threatening coalitions.
4. **PERSONAL:** what the leader wants to get out of being the person in charge, both in terms of a leadership legacy as well as personal satisfaction and growth.

Each category is important, but the leader must make mental shifts to deal effectively with them all: from today to tomorrow, from operational to visionary, from concrete to abstract, and from clear consequences of actions to being unclear about likely outcomes. Given the two jobs involved in a companywide change agenda, the leader must not only find the time and focus to handle all four fronts—he must also be able to understand optional ways to proceed.

Whether the leader overcomes the limitations of time, focus, and options comes down to two factors: how fluidly she adapts her style and perspective to the complications of her two jobs; and the ability of her administrative system to manage her coordination, communication, and information needs.

HOW THE WISE LEADER HANDLES CHANGE

In the job involving changes necessary for the company to thrive in the future, the wise leader will envision the kind of culture that will best support the new strategy. When it is clear enough in his mind, he will test it with his closest managers, board members, and allies. As he does, he will clarify the optimal structure, the types of people best to make it a success, and how decisions should be made and problems solved. Eventually, he will share his ideas with people whom he has selected to be part of the organization of the future.

The wise leader will also become convinced in stages about the changes necessary to get there. He'll talk to trusted counselors inside and outside his organization and to experts as well as other CEOs who have taken similar paths. With each step, he will become more convinced of the most promising changes and, at that point, experiment in one unit or function, then another. And he will find it necessary to allow them to adopt changed methods and behavior at different paces.

Simultaneously and with a much closer horizon, the leader must achieve the primary goal of his other job: improving the way the organization operates to make sufficient revenue to fund the changes that will move toward the vision of what he wants the organization to eventually become. Consistency in execution is what is needed, which requires a well-crafted operating plan as well as the right people in the right positions performing well.

Each of these jobs requires different styles and perspectives. In the first, the wise leader will be flexible, willing to experiment, and open to different approaches. As he educates others, he will win commitment to a less-than-certain outcome by inspiring them as much as by convincing them to follow. He will also expect various parts of the company to move at different speeds as they embrace the new vision and adapt to change. In the other job, where the horizon must be short-term, the wise leader will change gears to a style of control, to stressing orderly process, and to demanding consistent delivery against a unified plan. A certain drumbeat must be maintained so that the parts of his company march in unison at a productive pace.

Moving from one job to the other requires a certain fluidness of style, not unlike a hockey or basketball team that must switch from offense to defense in the blink of an eye. But most CEOs are not trained to control and maintain an orderly drumbeat as they stay focused on the short term and then quickly switch to a visionary, long-horizon, inspirational mode. When a leader whose experience is limited to maintaining stability takes on the challenge of significant change, he'll discover that the style that worked well in one mode will be less successful in the other.

A SYSTEM OF SUPPORT

Of help will be a management support system that enables the leader to use her time to best advantage and to make decisions in the most efficient way for both the near-term and the future. It includes but goes beyond the leader's existing administrative system.

All leaders have administrative systems of some sort. Most, managed by an executive assistant, do a good job of supporting the office of the CEO under normal conditions so that he is prepared and on time. The leader's schedule, communication to the organization, and important planned events such as board meetings are all coordinated.

But as useful and important as they often are, normal administrative systems don't offer enough because they were not designed for the challenges of both jobs faced by leaders with a change agenda. The system supporting the leader with two jobs must be proactive and anticipatory in ways such as these:

WAYS TO SUPPORT

- **RECOMMEND RESOURCES** (other leaders and experts) whose experience can be helpful and find the best thinking on strategy implementation and culture change.
- **DETERMINE THE MOST USEFUL** research and manage data analysis.
- **MAKE SURE DECISIONS ON THE STRATEGY AND CULTURE COME TO THE LEADER'S ATTENTION** neither too early nor too late and in a way that fits his decision-making style.
- **ANTICIPATE** the leader's questions, issues, and concerns regarding the forward movement of the company and notice symptoms of problems before they become barriers to progress.
- **RESPOND TO AN IDEA** the leader has, even if half-formulated, and return to him an assessment of its promise and what is needed to bring it into practice.
- **ENSURE COORDINATION AND COMMUNICATION** between the CEO and his senior managers as well as horizontally across the senior team on all matters concerning the change in strategy.
- **COORDINATE WAYS** for the leader to understand the mood of his organization as changes are being implemented and also where there are pockets of resistance.

What is the best way to adapt style and perspective and also establish a proactive, anticipatory system? A few corporations have adopted a position that is common in government and the military: a senior administrative manager or chief of staff. It's a position, reporting to the CEO, whose primary responsibility is to set up and maintain a proactive management support system staffed by an experienced manager who combines skills in project management, strategy, cultural awareness, and the ability to translate the leader's aims and aspirations into a coherent plan that produces the right results. And many of the top executives who have chiefs of staff believe that without them the needs of both jobs would not be met.

WHO IS THE CHIEF OF STAFF?

Many companies have a role that seems on the surface to be a chief of staff, usually a one-to-two-year developmental post for high-potentials. While a useful learning opportunity for these young managers, it is less helpful for the leader with two jobs and a change agenda. In that situation, the leader needs a senior staff aide who is more experienced. The good chiefs of staff—the ones who add value to the leader and contribute to the organization's success—tend to perform the same kinds of activities and duties.

The chief of staff's most obvious duty is to manage the projects that have the biggest impact on the leader's change agenda. When this part of the job is done well, resources will be marshaled, information gathered, and progress tracked based on an understanding of the leader's vision as well as near-term operational priorities. When things go wrong or ideally at the first sign of a problem, action will be taken quickly to repair damage and also in a way that learning takes place to avoid the same problems happening again.

The boss will count on the senior aide to handle special projects that have important political as well as strategic implications, the sort that must be handled discretely or carefully—for example, the early stages of an acquisition or alliance, a significant change in organization structure, or the removal of a longtime manager. In these cases, the chief of staff must understand how the project will further progress on strategic objectives but, in particular, must appreciate its impact on the culture.

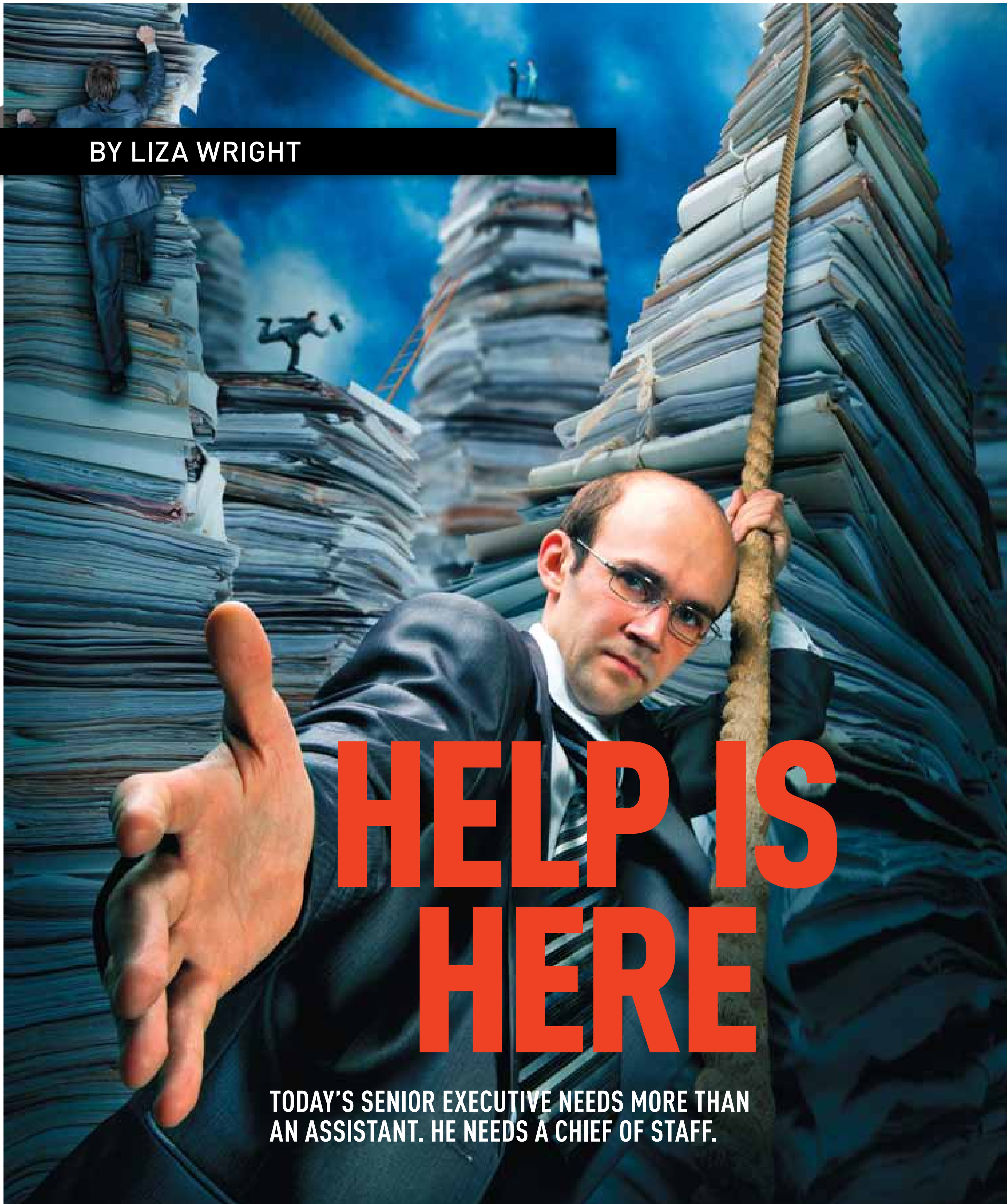
Importantly, whether managing resources and information or taking on special projects of cultural importance, the senior aide must always have clearly in mind not only how results will further the change agenda but also how carrying out the project will reflect on the leader's image and affect her most important relationships with both subordinates and the board.

At this level, the chief of staff becomes not just another set of hands but a trusted set of eyes and ears, affording the leader a view of questions about to be asked and issues before they become problems. While the leader's time can be conserved through the aide's project management, this "trusted eyes and ears" level offers additional benefits for the leader's political and cultural objectives.

If there had been the right senior aide in place for the CEO position into which John was moving, he would have understood the limitations and nuances of the strategy he was inheriting. Six months into his job, he created a chief-of-staff position and found a manager within the organization who had the background and abilities he was looking for and, importantly, knew the culture, processes, and politics very well.

Jane realized that with so many moving parts to her two-job plan, she needed, as she put it when she first heard the idea, "a master stage manager" who could help her make sure she was a step ahead of issues she faced. She found a retired Army officer who had had a similar role in the military to become her chief of staff.

Everyone requires administrative help to focus her workweek, prepare/follow up from senior staff meetings, get ready for board meetings and customer visits, or be available to employees. But getting—and staying—on top of the myriad strategic, operational, political, and personal demands of two jobs requires more: The changes that must be thought through and executed are too important for the companies those leaders run and also for the legacies they will leave behind. The leader in such demanding, change-oriented situations must think through the adjustments needed to her style and perspective and then, honestly and objectively, determine whether the support system that has been adequate for one job will enable her to be as effective as she must be to perform both jobs simultaneously. ■



BY LIZA WRIGHT

HELP IS HERE

TODAY'S SENIOR EXECUTIVE NEEDS MORE THAN AN ASSISTANT. HE NEEDS A CHIEF OF STAFF.

LIZA WRIGHT is a founding partner of Lochlin Partners, a Washington, D.C.-based executive search firm, and former principal at Heidrick & Struggles and director of presidential personnel in the George W. Bush administration.

IN THE TITLE OF HIS 1970 BOOK *FUTURE SHOCK*, ALVIN TOFFLER ACCURATELY CHARACTERIZED THE ROOT CAUSE OF ONE OF THE MAJOR ISSUES FACING THE MODERN CORPORATE EXECUTIVE. He defined future shock as "the shattering stress and disorientation that we induce in individuals by subjecting them to too much change in too short a time." Four decades later, the change continues to accelerate even as the time grows ever shorter. The demands placed on a senior executive working in a global, 24/7 environment have the potential to seriously eat away at his focus, effectiveness, and indeed his very health. The CEO at one multibillion-dollar company summed it up: "The additional time I need to keep up with the demands of my job and do it effectively comes from one place—the amount of sleep I get."

But today's executives have no choice. They have to figure out how they can be more efficient with their time so they can react and respond effectively to increasing internal and external pressures while guiding their enterprises toward the future. Basic time-management strategies will get them only so far. Enter the rebirth of an important role currently undergoing a reformulation in the executive suite: the chief of staff.

Most think about chiefs of staff in the context of a military, government, or political organization, understandable since it has been a key role in military operations for centuries and, under different titles, in government operations just as long. Officially, the position has existed at the highest level of American government—the White House—since 1953. Increasingly, senior corporate executives understand the value in creating such a position.

In 2008, Kevin Cox, executive VP of HR at American Express, hired his first chief of staff, David Clark, a veteran chief of staff who had worked on Capitol Hill, in several government agencies, and spent four years in a senior staff position at the White House. Cox comments that his decision to create the position was motivated by his need to become "much more purposeful" about how and when he spends his time. His objective was to create the time and space he needed to focus on the most strategically critical demands of his position, including the need to partner at a higher level with his CEO, his C-suite colleagues, and the board of directors. He estimates that Clark's addition to his senior team created a 30 percent time dividend he has used for those purposes.

Like Kevin Cox, Aflac president and COO Paul Amos II hired the company's first chief of staff. In January 2010, he told *Fortune*, "When I first started talking to my HR department, they said with the exception of politics, nobody really [has one]. . . . I said, 'I promise you this is needed out there.'"

DEFINING THE ROLE

Before defining what a chief of staff does, it's important to note that the CoS position must be, by its very nature, adaptable to the specific needs of the executive and his existing organizational structure. In other words, no two chiefs of staff will function exactly alike. However, the most effective uses of the role have some things in common. First, a CoS—companies may use other titles, but this is the clearest—should act as a right hand to his principal, as a trusted adviser who is an important member of the senior leadership team. A CoS supports an executive across all of his responsibilities and ensures that the rest of the leadership team is collectively acting upon a prioritized agenda and focusing on the most important issues and opportunities. When Clark started as Cox's aide, he says, many were skeptical of his new role. "My first priority was to figure out how to add value to Kevin and his direct reports," he says. "It wasn't a one-size-fits-all approach." Clark spent much of his first two months learning about each member of the team, what motivated them, and how he could make their lives better.

From experience, Clark understood that a good CoS should be not a filter, preventing input from getting to the executive, but, rather, an amplifier and a choreographer. He should aid members of the senior leadership team by facilitating more productive relationships with one another, asking tough questions, and prepping them in advance of meetings with the top executive.

A TRUSTED ADVISER. A chief of staff should be a confidant, an honest broker, an objective sounding board for ideas for the executive and the senior leadership team. The CoS sits in a truly unique position—he needs to have a handle on how the organization is doing and how it will react to decisions or initiatives that the CEO is contemplating.

He also needs to be someone to whom the senior staff can turn for help and advice. Because of that, he must gain the trust of those around him. An effective CoS will have a high emotional quotient and be a collaborative team player.

A STRATEGIC THINKER. One of a chief of staff's most important responsibilities is to strategically manage the executive's time—a different proposition than juggling appointments in an Outlook calendar. Doing it effectively requires an intimate understanding of the executive's priorities and when those priorities and goals need to be acted upon. This is particularly key when the executive is the CEO, since the entire senior leadership team—as well as pretty much everyone else—wants as much of his time as possible. A good CoS will give that time to staff members only when the issue is ripe—and when the staffer is fully prepared.

Most aides will also plan their boss's schedules three, six, or even twelve months in advance, ensuring they have a full view of what needs to be done. They need to think strategically about how to create more space on the executive's calendar to focus on A-level priorities.

AN EFFECTIVE IMPLEMENTER. It is up to the CoS to track the organization's progress on achieving its goals. The CoS has a broad view across the entire business. Because of this, he will know who is tasked with what project, and is in a good position to figure out what is—and what is not—getting done.

The CoS is, effectively, an air-traffic controller—someone who has a view of all the components on the map and also understands the overall strategy and can move those components in the appropriate direction. Claire Buchan, who served as chief of staff to U.S. Commerce Secretary Carlos Gutierrez, says, "Most large organizations struggle with silos. The chief of staff can be a bridge between them." She explained that a CoS may also moderate disputes and discussions between different actors in the organizational drama; a CoS will also be sure each silo is briefed on organizational priorities and projects and is updated on progress made by other divisions toward them.

This tactical role is one that will tax the aide's organization skills, his ability to drive the agenda, and, potentially, his diplomatic skills. The CoS will generally set up a comprehensive tracking system to make sure nothing is falling through the cracks. When it is, the CoS is the one who must ask the pointed questions about why a project is delayed or unfinished.

For his role as implementer, the CoS may also be put in charge of special projects that do not fit perfectly within any single other business component. Kevin Cox describes this function of his CoS as the "vice president of white spaces." Cox notes that the rapidly evolving business landscape is creating more of these interstitials.

THE WRONG AGENDA

Many C-suites comprise shifting alliances and ambitions, and introducing a new position can upset the balance if not carefully thought through. Selecting the wrong person could alter the existing relationships between an executive and those who surround and depend on him. At best, a chief of staff is someone who unknots problems and opens up communication. A CoS should *not*:

- Force an executive to act in a way that is inconsistent with the authentic manner in which the executive operates. A CoS can help sharpen or improve that style, but should not try to radically redefine it. Former HUD Secretary Steve Preston, who worked for nearly twenty years at top management levels in the private sector before entering public service, explains, "For me, a chief of staff needs to be a positive extension of the personality and ethos of the leader; a way through which the leader can extend his or her influence in the organization. The chief of staff should fully understand the objectives of the leader and drive those."
- Be too protective. A CoS should not serve primarily as a gatekeeper. While a CoS does need to help set the agenda, which requires making tradeoffs, his job is to facilitate and streamline information flow to and from the chief executive's office, not impede it. As David Clark commented, "A chief of staff cannot be seen as a blocker, otherwise, the organization will reject them." Angela Kates, Aflac's first CoS, told *Fortune* that the "art" of her job is learning how to think like an executive and how to handle enormous responsibility all "without overstepping her authority."
- Be relegated to an administrative or executive-secretary function. This is a common mistake. A CoS will oversee some administrative functions, but his view will be more strategic than that of a

TOP RESPONSIBILITIES OF A CHIEF OF STAFF

- Strategic management of the executive's calendar and time
- Goal management and tracking
- Management of special projects
- Meeting planning and coordination
- Organization of paper flow and information sharing; will provide high-level support to the executive, ensuring he has the full range of data and information to drive effective decision-making
- Provision of data, reports, and analysis to help keep the executive informed
- Acts as the "vice president of white spaces" to address important issues that don't directly fall into one specific function but are important issues to address

typical assistant. For example, the CoS will be able to see the calendar far in advance and will easily be able to identify the tasks he himself, or others, can complete for the executive. Furthermore, the aide should be able to attend the meetings the executive cannot. In short, it should be accepted that the CoS can speak on behalf of his principal.

- Have too many unrelated responsibilities on his plate. Some corporate chiefs of staff have other tasks and duties assigned to them, or even entire divisions, like communications or legislative-affairs offices. As a general matter, it is better to have the CoS focused on the broad functions noted above. Anything else will necessarily take time away from the executive or will make them partisans on behalf of certain business units, both of which will dilute the aide's effectiveness.

How do you prevent these problems from arising? While an aide's specific role will be defined by the individual executive he serves, a corporate CoS should have a defined set of priorities. If executed correctly, by the right person, with the correct mix of personality and experience, he will actually be the anti-bureaucrat—a facilitator of information-sharing and a steward to both the executive he serves and the company in general.

WHO IS THIS PERSON?

It's common—and hardly unreasonable—for others to feel threatened by the introduction of a chief of staff. An executive assistant may fear that she is on the verge of being relegated to clerical work; nearby executives may worry about access. The term *gatekeeper* often comes up when discussing this position and, as one current corporate chief of staff commented, it is the "death knell" for it.

How best to allay concerns? By hiring the right type of person, whether from a background in the corporate world, the military, the government, or consulting:

A good CoS is objective. He reports to one person only, but he works closely with everyone on the staff, putting aside his own opinions and partisanship. With objectivity comes discretion: While one of an aide's primary responsibilities is to facilitate information-sharing, he must also understand how best to share information with his principal. A CoS to the chairman and CEO of a top financial-services firm said, "I am always clear with my boss about whether information is fact, my opinion, or that of the group."

The key word in the title is staff, not chief. The CoS must be a consummate supporter, someone who thrives in a behind-the-scenes role and who gains satisfaction through the success of others. Along with humility is an intense desire to get the job done.

An effective CoS must have a sound understanding of business practices and ethics. Some corporations have chosen to adopt the rising-star model, plucking a promising young professional up from B-school or the lower ranks and placing him alongside the chief executive; in general, this is not an ideal model. Perception is generally gained from broad and deep experience dealing with complex managerial issues and multiple personalities over multiple years.

No B-school textbook can impart the ability to think three-dimensionally and understand how things will play in the public eye.

Finally, and not surprisingly, a chief of staff must be highly organized. Not only will he have a significant hand in creating and managing an executive's schedule—he will be asked to oversee the implementation of many projects that span over almost every business unit within a corporation. Claire Buchan explains, "An organization functions best when all pillars are coming together and each person is working together in the same direction. A chief of staff is someone designated to bring those pillars together." Achieving this requires someone who is detail-oriented, calm and mature, and has a strong attention span and endurance.

Not every executive needs a chief of staff. Some people find it more trouble than it's worth to onboard and work with a senior aide; C-suite relations may be so carefully calibrated that a new voice may tip the balance into dysfunction; the company may be justifiably reluctant to hire multiple (highly paid) new people who won't someday run the place.

The decision of whether to pursue the option rests on the answers to three simple questions:

- Are you dissatisfied with the way you are using your time, and are you finding that the consumption of your time is not aligned with your highest strategic imperatives?
- Are you concerned with the rate and volume of information flowing into your office, and would you prefer to wield it for the benefit of your business rather than become paralyzed by it?
- Are your organization's regulations and bureaucracies consuming an increasing amount of your time?

If the answer to these questions is yes, then consider the possibility of adding a chief of staff to your team. Kevin Cox has experienced a 30 percent increase in his capacity—something he believes was essential for him to truly focus on his most critical priorities. How will you invest your 30 percent dividend? ■

> "An organization functions best when all pillars are coming together and each person is working together in the same direction. A chief of staff is someone designated to bring those pillars together.

ARE PERKS DIVIDING YOUR COMPANY?

UNFAIR BUSINESS

■ VADIM LIBERMAN is senior editor of *TCB Review*, a position insufficient to earn him an office chair with arms.

BY VADIM LIBERMAN

IT BEGINS WITH A CUP OF COFFEE. Suppose your company were to restrict access to the corporate coffee machine to senior executives only. Why? Because busy bigwigs shouldn't have to wait with plebeians for caffeine jolts. Sure, assistants to assistants also battle endless to-do lists, but let's be blunt: Regardless of who prizes whose time more, a senior leader's minutes are certainly more valuable to the organization. Thus, for everyone else, there's a Starbucks around the corner.

An executive coffee policy—absurd, right? But replace coffee with a company jet, and the ridiculous suddenly appears sensible. Maybe.

What might start with coffee and end with air travel bursts with a cornucopia of corporate perquisites: car allowances, country-club memberships, home security, financial-planning assistance, corner offices, telecommuting, reserved parking, reserved restrooms, reserved dining rooms. Reserved—that is, nonmonetary compensation restricted to individuals or groups based on any number of criteria.

Perks are unlike benefits, which employers offer to *all* workers: medical insurance, a communal cafeteria, on-site dry cleaning, a foosball table, several colorful items that pop up when you Google "Google benefits," and, thankfully, coffee. Whereas benefits can distinguish your company from others, perks mainly differentiate workers *within* your organization. And because the list of possible perks stretches wide, so can the gulf between your firm's haves and have-nots.

PRACTICES

WHO GETS AND WHO DOESN'T

What does it mean to treat people fairly? Ultimately, that's the central question here. While protestors pose it to Wall Street from the outside, it's worth asking it of corporations from the inside. Perks are ideal conduits to get at an answer because they're the most visible manifestations of how your organization sets people apart. (You may not know others' salaries, but you're painfully aware that the company isn't paying for you to tee off at the club this weekend.)

How do—how ought—you draw lines between who will have and who will have not? A common reply: Distribute perks that jibe with your company's culture. Obviously.

Not. Accepting this illogic legitimizes corporate-cultural relativism, whereby your company's approach is best because your organization says it is.

"Companies should ask, 'Which perks would align best with the culture we're trying to create?'" says Gaye Lindfors, a Minnesota-based consultant and former HR director at Northwest Airlines. Put differently, apportioning perks is not a *consequence* of but how you *create* corporate culture. "Actually, perks deserve more attention than other business decisions when defining culture because they are so personal," adds Jennifer Robin, a research fellow at the Great Place to Work Institute, a research, consulting, and training firm.

What do people deserve? When do they deserve it? Why do they deserve it? What does it mean to *deserve* anything? Your answers will shape your culture.

Yes, this is more philosophy than it is HR strategy. There's scarce research on corporate perks that pushes beyond describing to prescribing, which means that an HR director who wants to get perks right must aim to turn philosophy into practice.

WHAT DO PEOPLE DESERVE? WHEN DO THEY DESERVE IT? WHY DO THEY DESERVE IT? WHAT DOES IT MEAN TO *DESERVE* ANYTHING? YOUR ANSWERS WILL SHAPE YOUR CULTURE.

Here's how to ponder who flies in first class, who's in economy; who'll play golf, who'll watch it on TV; who gets an office with a window, and who gets an office with a window working from home. Who gets and who doesn't.

DIMINISHED EXPECTATIONS

If only it were as simple as coffee. As the competition dangles more, and more valuable, shiny things to recruit and retain, you're perpetually forced to play a Darwinian game of Keeping Up With the Googles. Don't want to play? You'll still lose. You won't make best-places-to-work lists; talent will head elsewhere.

You've witnessed this with skyrocketing executive compensation. To an extent, similar criticisms apply regarding perquisites. "Just ten years ago, executive perks were based on competitive practices almost exclusively," explains Don Lindner, executive-compensation practice leader at World at Work, a provider of HR education, conferences, and research. "They would get out of hand." It took only one CEO down the street to get a new car to compel other corporate boards to channel Oprah: And *you* get a car, and *you* get a car, and *you* get a car. And you, Karen Kozlowski, get a Tyco-sponsored $2 million birthday party. And you, Jack Welch, get an $11 million GE apartment. Legalities aside, the dotcom era produced a golden age of perks.

Today, it's more of a copper age. Businesses began seriously slashing perks five years ago, after the SEC mandated disclosure of perks and personal benefits with an aggregate value of more than $10,000, down from $50,000. "Other compensation," the proxy-statement pay category that includes perks, fell from $338,815 to $228,929 between 2005 and 2010 for the top one hundred CEOs, according to compensation-analysis firm Equilar.

A bigger factor than the prospect of having to publicly defend the indefensible: the economy. Now that just having a job feels like a perk, it's unsurprising that the number of companies granting perks to CEOs has slipped, from 90 percent of organizations in 2009 to 78 percent in 2010 to just 62 percent in 2011, according to compensation trackers at Compdata Surveys. "The nature of perks is nowhere near what we've seen in the past," says Brett Good, senior district president at Robert Half International, a consulting and staffing firm. Good predicts that even when the economy gathers steam, no one should expect companies to start picking up birthday-party tabs. Instead, anticipate a continued rise in things you won't see on proxies: hoteling, flex workweeks, job-sharing, and other work/life perks that, for many workers, aren't perks at all.

EVERYONE DESERVES (TO DESIRE) A TROPHY

So what does a CEO perk look like these days? In 2010, the most prevalent were supplemental life insurance (offered to 29 percent of CEOs), company cars (24 percent), and club memberships (22 percent), according to Compdata. There is, after all, cachet attached to perks perceived to have high monetary value—which begs another question: Does value reside in the perk or its status?

Decades ago, where you peed signified who you were. An executive-restroom key unlocked far more than a physical door. Where you urinate today typically holds less exclusivity, but some perks, like a company car, still carry trophy value. Except: Don't title and salary (known or perceived) already sufficiently convey status?

In a 2006 paper, "Are Perks Purely Managerial Excess?", University of Chicago B-school professor Raghuram Rajan and Harvard Business School's Julie Wulf write: "There are only so many corner offices or so many places on the corporate jet, and who gets them can signal the recipient's place in the pecking order better than cash compensation can." Does a leader also need a corporate Mercedes to flaunt feathers?

Rajan and Wulf speculate that "the CEO needs to be offered perks (in fact, the most perks) so as to legitimize the status attached to the perk: a prestigious country club membership would not convey as much status for other executives if the CEO did not belong to it." However, this fails to address perks that accrue only to the CEO, and it doesn't justify something like club memberships overall.

Interestingly, the authors reference the military, where medals confer status. They ask, "[W]hy can corporations not invent their own medals or ribbons, which will cost them virtually nothing, instead of paying with perks?"

Good question. Employers invented their own ribbons long ago—plaques and certificates. They don't convey status—you can't park a framed certificate in front of the HQ building, in a space emblazoned with your title—so much as reward performance. Rewards, like plaques, gift certificates, and other recognition tools, don't typically stoke feelings of injustice the way perks do because they seem more meritocratic. You do something well: You get something good. Perks, by contrast, accrue regardless of job performance.

Of course, when asked, corporations invariably insist that they link most perks to performance. Of those that actually mean it, some may even believe it. But what do they believe?

If—*if!*—considering performance at all, companies don't grant top officers perks such as subsidized apartments and business-class plane tickets with

We emotionally connect to perks in ways we don't to dollars because we think of them less as standards and more as extras, and who doesn't like a little—or a lot of—extra?

the goal of motivating low-level daydreamers. That's not to say a mailroom clerk isn't fantasizing right now about reclining, Prada-clad feet perched atop a big desk twenty floors up, but that's a mere side effect of executive perks. Rather, we think of perks more as components of compensation packages that aim to optimize the work of leaders.

Truthfully, Rajan and Wulf's question about perks versus rewards is a nonstarter. Companies can—and should—use each differently. One may lead to better performance, the other recognizes it, and it probably makes little difference which you offer first to improve performance. "It's management's job to start the chicken-and-egg cycle," recommends Jennifer Robin.

The more relevant issue: If a car, or any perk, were turned into a reward instead—that is, something you got as a consequence of rather than a precursor to doing a good job—would that impact performance? It's a tough question to answer because most companies don't dangle such extravagant rewards in front of anyone outside of the sales department. (Then, too, all this assumes that a link between perks and performance actually exists. For more on making—or not—the business case for perks, see "The Proof Is in the Perk," on page 49.)

THE PRICE OF PERKS

None of us works for a corporation just for the fun of it. We're all paid salaries. Some of us get bonuses. A few of us enjoy stock options. We're all acutely aware of the numbers on our pay stubs—and what those numbers can buy. So why view perks differently than cash?

Because perks have a different perception value than cash. We emotionally connect to perks in ways we don't to dollars because we think of them less as standards and more as extras, and who doesn't like a little—or a lot of—extra? It's as though we're getting something for free—even if it's preposterous to stick a "free" tag on something over which companies and individuals haggle.

It's often easier for companies, particularly those strapped for cash—as well as candidates and employees—to negotiate perquisites rather than salary. "You can't replace big chunks of pay with perks," points out Don Lindner, "but if you're paying an executive at the median instead of the sixtieth percentile, then offering perks may be a way to keep that person."

Then again, because the greater currency of perks lies in perception, some corporations hesitate to offer them in lieu of cash. A country-club membership costs pennies next to a $20 million pay package, but on a proxy statement, those can be some contentious coins. For example, in 2008, General Motors CEO Rick Wagoner flew to Washington to ask Congress for a bailout aboard the company's $36 million jet. Twenty grand, the trip's approximate cost, pales in comparison to the $12 billion Wagoner asked from Uncle Sam, but it's probably a salary for someone's uncle Sam.

"If you're getting paid $2 million and the proxy reveals that you're also getting a $5,000 financial-planning allowance, it gives the impression that you're piggish," argues Steve Gross, a senior partner at HR consultancy Mercer. To fend off criticism, he recommends, the company should just increase salary by the perk's pecuniary cost.

And yet, the more firms pay execs, the more perks they give them. This indicates not only the obvious—some companies boast deeper pockets than others—but another explanation posited by Rajan and Wulf: "A senior executive may not be willing to pay out of his own pocket for executive jet travel if it were not offered as a perk since his private value for it may be far smaller than the benefit to the company."

Even so, not everyone is convinced that a person joins or leaves an organization based on first-class rides in planes, trains, and automobiles. "Perks make up only 5 to 8 percent of an executive-compensation package," Lindner explains. "They're not going to make the difference in recruiting or retention."

Agrees Gaye Lindfors: "People don't go to organizations and stay because of perks. What keeps them there is a feeling of engagement."

BECAUSE YOU'RE WORTH IT?

Till now, an 800-pound gorilla has been lurking in this article—the entitled executive. Though no enterprise will cop to basing actions on entitlement, "it's probably the main basis on which companies continue to make decisions about perks," reveals Laura Sejen, global practice leader for rewards at Towers Watson. The problem isn't that people feel entitled to perks, it's that—

Actually, that *is* part of the problem. Steve Gross recalls working with an executive who demanded matching corporate sedans for him and his wife. The employee explained that should his car need repairs, his wife's would be a backup. "He was obviously a pig," Gross says.

"People begin to assume that perks are like benefits," adds Jennifer Rosenzweig, research director at The Forum, an HR consultancy affiliated with Northwestern University. "Companies have to be careful about getting into patterns of people expecting them."

"Hey," you might be thinking, "I worked hard to get to where I am, so damn it, I deserve a club membership." But you'd be confusing perks for position with perks for performance, which aren't perks but rewards. Also, you'd have to be high to think a high title accompanies high performance. A glance around your company should confirm the two are hardly synonymous. "But hold on again—I earn more money than others, meaning the company values me more, so give me my friggin' club membership too!" That argument would hold if cash and perks traded in equivalent currency, but since they don't, entitlement by any other name is still greed.

So: If employees who feel entitled are just part of the problem, the other part are the companies that inflate their egos. In the end, it's not someone who thinks the "C" in his title warrants entitlement but the organization that deserves an "F" for perpetuating it. The problem, of course, is that the "C" people run the company. It's a lot to ask the entitled to put down the Kool-Aid.

But that doesn't mean we shouldn't ask. "You face a challenge then," Sejen cautions. "If perks are not about hierarchy, you'll have a hard time defending why you've decided to make Person X eligible and Person Y ineligible." It is not, however, impossible. "As long as there are development opportunities and encouragement to get into higher positions, then differential perks based on one's position are less important," explains Jennifer Robin. Here's another way to look at it: If you give a perk to someone who feels entitled, that's OK—as long you don't grant the perk *because* someone feels entitled. Otherwise, adds Robin, "you create an environment of haves and have-nots, which can be damaging because that kind of mentality will work against you in the long run."

FAIRNESS THROUGH INEQUALITY

Let's be real: No workplace ever could be completely egalitarian.

No workplace ever *should* be completely egalitarian.

Many of us assume the fact of the former to justify the latter, but even if total egalitarianism were impossible, shouldn't we at least earnestly push toward it and not let perfect stand in the way of good? And isn't workplace egalitarianism, you know, *good*?

"You don't want to create perceptions and resentment that top people are getting more at the expense of everyone else," says Steve Gross. "It's like asking me to go from an office to a cubicle while my boss keeps his giant office. 'If I'm making a sacrifice, where's yours?' The more perception of unfairness, the less likely you'll have engaged workers."

Sure, pay and other factors already buttress office classism, but this article isn't *The Communist Manifesto*, and just because divisions exist in the workplace doesn't imply we shouldn't strive to minimize—or at least not maximize—them via perks.

While some organizations have eschewed perks in the spirit of fairness (see "The End of the Perk?", page 50), others use them to promote fair treatment. But what does that mean? It does *not* mean that everyone is equal, or even equally valuable. After all, each of us has different strengths and weaknesses. So when your CEO claims he values every employee, he's not lying. He's simply failing to add "just not equally."

Instead, think of fairness as equal consideration of workers' interests, or needs. For example, Google's benefits-and-perks priority is "to offer a customizable program that can be tailored to the specific needs of each individual."

"Too many times, organizations assume that fairness means equal treatment, but we have people performing different roles at different levels, so their needs will be different," explains Jennifer Robin. By matching perks to individual needs, she continues, "companies can send a signal: 'We understand you, and here are things that will make your job and life easier and that will also help the organization.'" You'll end up distributing perks unevenly, not unfairly.

> "You don't want to create perceptions and resentment that top people are getting more at the expense of everyone else.

THE PROOF IS IN THE PERK

Businesses aren't as eager today to offer perks simply because the competition does. Instead, there must be a "business case," says practically every observer. But doesn't vying for talent serve a business purpose? You probably hear the business-case imperative so often that you nod approvingly without pausing to ponder the term's meaning or relevance. *Because you know it.* A perk must aid performance, engagement, productivity, *business*.

Indeed, "companies are now being more thoughtful about what's appropriate," says World at Work's Don Lindner. "Today, most companies are asking, 'Do we really need to offer a country-club membership?' They can't answer that, so we're seeing a lot of perks go away because they can't be shown to support attraction or retention."

Yet one in four organizations still offer CEOs club memberships. Do they have a business case? Yes, no, and maybe. It's no secret that a company can rationalize anything—everything—with a business purpose. Perhaps club memberships allow CEOs unique opportunities to broker deals. Perhaps not. Maybe the perk really does attract and keep talent. Maybe not. The point is, dig deep enough and you'll always unearth a business case for a perk. The real question is whether you can *prove* it. "If you can't show how perks support business strategy, you shouldn't be using them," Lindner suggests.

The "proof," however, tends to be anecdotal and correlative, at best. That doesn't mean you should dismiss such data or trash your perks. Rather, an absence of harder evidence likely reinforces what Albert Einstein knew: "Not everything that counts can be counted." —V.L.

HAVING NEEDS

Sometimes needs pertain to the job. For example, only staffers who must be on call get to make calls from company cell phones. Or only a few leaders get private security due to their high-profile positions. "It's declassifying and re-crafting what have traditionally been status symbols into more functional perks," explains Jennifer Rosenzweig. In other words, providing people with the tools they need to do their jobs. But if something is necessary, not just nice, are we really still talking about perks?

Yes, because anything an organization gives to you and not me is technically a perk. Yet a nagging feeling remains: It's weird to regard necessities as perks. And that's OK. When employees cease to view perks as perks, class divisions erode, supporting teamwork and engagement.

Perks catering to personal needs are thornier. Often, these are work/life perks, such as telecommuting or Google's reimbursement of up to $500 for takeout meals to new parents during a newborn's first three months so employees can concentrate more on work. When a perk doesn't directly relate to a job, some may grumble, "Why don't I get that too?"

For instance, "I don't have, nor want, children, but I'm also crunched for time. Give me $500 for food so I can be more productive!" Jennifer Benz, a San Francisco-based HR consultant, parallels this example to tuition reimbursement. Imagine a staffer insisting, "I don't want to go to school, but give me the tuition money anyway." As if. "There's no need to justify every perk just because 100 percent of the workforce can't take advantage of it," Benz explains. "The important thing is to meet as many needs as possible." Indeed, employees eligible for other perks will rarely protest, as complaints usually arise in cultures of perceived disenfranchisement. At Google, you'd be hard-pressed to point to a neglected group.

THE END OF THE PERK?

To promote greater egalitarianism, or at least the perception thereof, some companies seek to shun perks. "Intel does not have programs for providing personal benefit perquisites to executive officers, such as permanent lodging or defraying the cost of personal entertainment or family travel," reads the company's 2011 proxy statement. The company also boasts a goal "to maintain an egalitarian culture in its facilities and operations." In fact, former CEO Andy Grove, who said he despised "mahogany-paneled corner offices," famously worked out of an 8 ft. by 9 ft. cubicle, as does current chief Paul Otellini.

"[W]e do not normally provide perquisites or other benefits to our named executive officers that are not generally available to all eligible employees," reads the current proxy for JDS Uniphase, a communications-products manufacturer. The company adds that "executive officers are not entitled to operate under different standards than other employees"—meaning they don't get subsidized financial and legal advice, personal entertainment, recreational club memberships or family travel, reserved parking spaces, and separate dining facilities.

BUT MIGHT ABOLISHING PERKS IN THE SPIRIT OF EQUALITY BEGET ANYTHING BUT? DOES IT MERELY SPREAD UNFAIRNESS EQUALLY?

Other firms that tout egalitarian environments include Nvidia, Dell, and Hewlett-Packard. Not surprising that they are giants in the tech industry, where massages, dry cleaning, photo-processing services, catered meals, monthly wine tastings, and foosball tables continue to define workplaces. A true egalitarian enterprise, it seems, provides benefits to all, not perks to some.

But might abolishing perks in the spirit of equality beget anything but? Does it merely spread unfairness equally? "I've seen companies that have said they won't do anything unless it's equal across the board," reveals Jennifer Robin, co-author of *The Great Workplace: How to Build It, How to Keep It, and Why It Matters,* "so even if it makes sense for you to work from home, you're not allowed because another group of workers can't. Even if it makes sense to have a laptop because you travel, 'You can't have one because we can't give everyone a laptop.' You end up with an over-structured organization." Impressive intentions with oppressive outcomes.

Ultimately, it's impossible and impractical to treat everyone identically—*someone* has to sit in the corner office, or corner cubicle. Someone will always get something that someone else does not. Some people need laptops, some need to telecommute, some need (depending on how you define the word) to fly on the corporate jet. "Intel's company-operated aircraft hold approximately 40 passengers and are used in regularly scheduled routes between Intel's major U.S. facility locations, and Intel's use of non-commercial aircraft on a time-share or rental basis is limited to appropriate business-only travel," the company's proxy continues. JDS's proxy also points out: "[CEO] Mr. Heard received a total of $95,125 to assist with his relocation to Germantown, Maryland. Additionally, Mr. Heard received a commuter allowance of $20,000 for the period from October 2010 through May 2011."

Intel and JDS—and, no doubt, other businesses—don't have true zero-perks policies. Thus, JDS's statement that it does "not normally provide perquisites or other benefits to our named executive officers" is true only so long as the emphasis is on *normally*. —V.L.

Nevertheless, timesaving perks are hardest to defend. We're all squeezing ninety into sixty minutes of work, so why should CEOs fly aboard a corporate plane while you languish in baggage check? "The CEO has to spend most of his time and energy on the job. This isn't as much the case lower down," explains Don Lindner. "This perk will do the most good at the highest level." In other words, your CEO values every employee, just not equally—*and he (and the board) values himself most*.

Subsequently, the perk becomes not the plane but, rather, time itself. It makes sense for an enterprise to give more to those who have less of it. Overall, though, time-related perks are perhaps the only ones for which you become increasingly ineligible the higher up you go. It's easier to grant flextime to an accountant than to the CFO.

TRUE VALUE

Because people have different needs, they predictably value perks differently. "What is important to you may be unimportant to me," says Steve Gross, who cites a Mercer executive who worked his way up to a senior level but turned down a larger office. "He couldn't care less," recalls Gross.

Not everyone wants to work in pajamas, park near the entrance, or fly Air Your-Company-Name-Here. Suppose a company were to extend corporate-aircraft access to everyone (about as likely as restricting coffee to the C-suite). If 99 percent of workers have no business need to fly, what good is access without usage? The organization would be boasting nothing but lip service to egalitarianism based on a worthless perk to most employees. Take note: Individuals, not the company, determine the subjective values of perks.

Now, some people—get ready for this—desire status. Should the company satisfy that need too?

Equal consideration of interests is just that—consideration. It is not equal fulfillment. All needs are not of equal value, so the best, if imperfect, approach is to carefully weigh different interests when deciding on perks, including one's need for status versus everyone's perceptions of fairness. "I worked with a company that offered reserved parking to directors and above. It was clearly a status thing," recounts Laura Sejen. "The company consistently talked about valuing teamwork. There was a disconnect for lots of employees, who saw who the company thought was really important." Everyone already *knew* who was important; there was no need for parking spots to reinforce that.

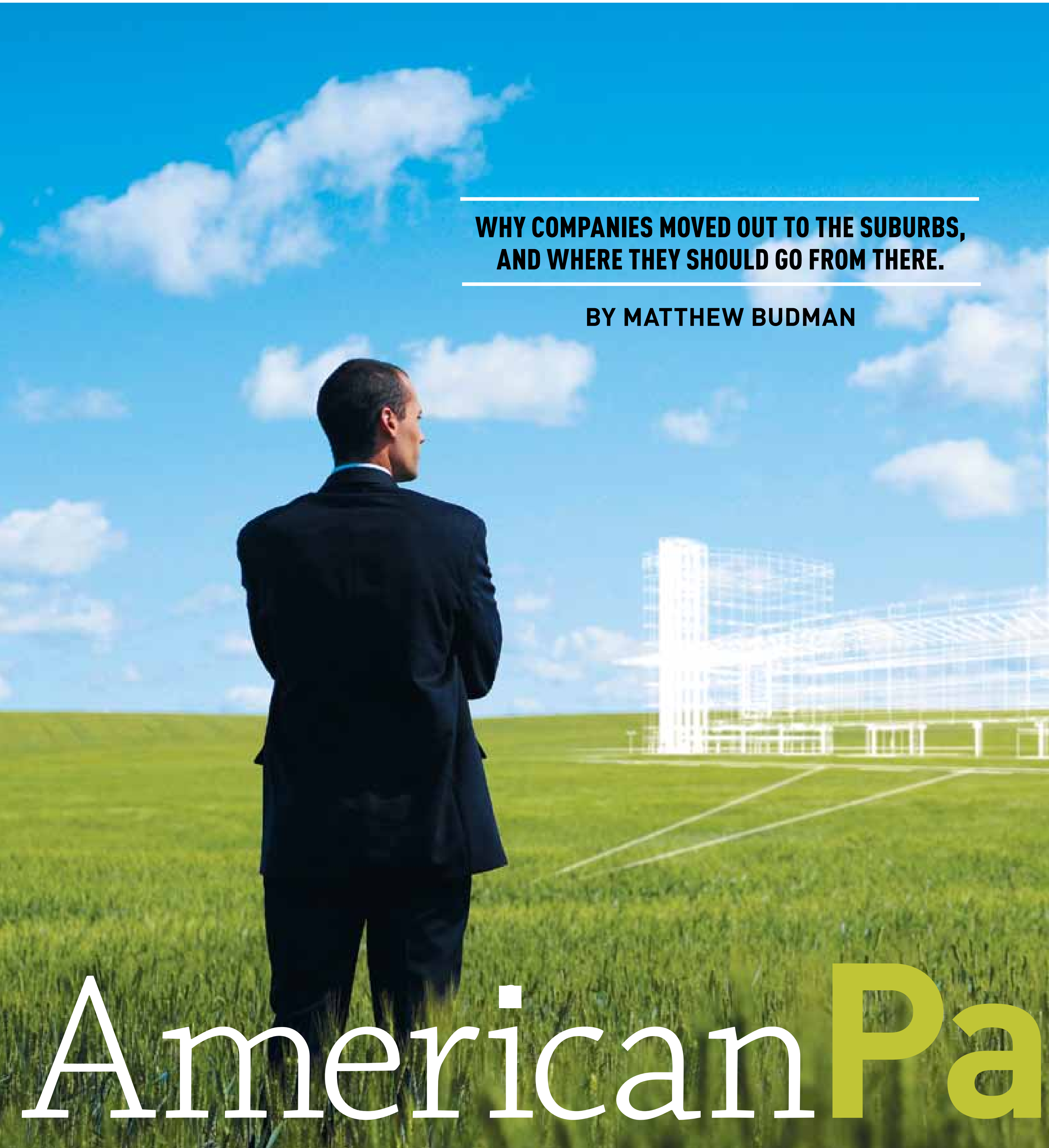
Of course, you can argue that a director's time is more valuable so he should get to park upfront, but you can make the my-time-is-more-important-than-your-time case for almost every perk. That doesn't mean you should, especially when balancing it against perceptions of injustice and possible disengagement. At Google, for example, special parking spots go only to pregnant women, the handicapped, and people needing outlets to plug in electric cars.

Similarly, you could argue that financial-planning services for top leaders save them (their more valuable) time, but "it's probably not your senior executives but your lower-paid individuals who need help with financial planning most," says Jennifer Benz. "Why not offer it to everyone?"

Why not? Silicon Valley has been transforming perks into benefits for years. Whether tech companies such as Google offer endless lists of benefits to recruit and retain, allow employees to do their jobs better, or simply keep workers tethered to the office, the search giant is inching closer to an egalitarian environment and engaging people. "Slanting things that can support the whole workforce toward senior executives is not the best use of resources," Benz says. "A lot of companies are still very shortsighted and have traditional views of their workforce and are hesitant to implement programs that we know help people do their jobs better."

Other times, you may have to remove perks because revenues are down or they don't seem to impact performance positively. Taking them away can feel like a breach of an emotional contract for employees. "It's like ripping off a bandage; it's going to hurt," says Jennifer Rosenzweig. "But being forthright and transparent will go a long way to keeping employees' trust."

Ultimately, you'll need to develop a fair system of perks to compete in the marketplace and function well. Whether you add or subtract perks or turn them into benefits, you may still never purge your organization of entitlement or meet everyone's job and personal needs. But isn't it worth trying? ■



WHY COMPANIES MOVED OUT TO THE SUBURBS, AND WHERE THEY SHOULD GO FROM THERE.

BY MATTHEW BUDMAN

American Pa

■ MATTHEW BUDMAN is editor of *TCB Review*. After a lifetime in the suburbs, he recently moved to Greenwich Village.

ONCE UPON A TIME, BIG CORPORATIONS PUT OFFICES DOWNTOWN AND FACTORIES OUTSIDE OF TOWN, AND THAT WAS PRETTY MUCH IT. Then, beginning in the 1940s, as expanding roadways and cheaper cars and housing sent middle-class Americans to new suburban neighborhoods, companies began purchasing enormous tracts of land, with rolling hills and sparkling ponds and piney woods. And upon that land they built gleaming complexes of concrete and glass, situating their white-collar workers in the most desirable locations imaginable.

Of course, there's more to the story, says **Louise Mozingo**, author of *Pastoral Capitalism: A History of Suburban Corporate Landscapes* (MIT). Corporate campuses might be lush and verdant, but they're expensive, inaccessible to many or even most workers, and incredibly resource-consumptive. "The idea," she says, "is that you'll look out your window and see green. I'm not saying it's not appealing. I'm saying it might not be appropriate for a workplace in a post-peak-oil world."

Mozingo lives in San Francisco; she spoke from her office at U.C. Berkeley, where she is an associate professor in the Department of Landscape Architecture and Environmental Planning.

I LIVED IN CENTRAL NEW JERSEY FOR NINE YEARS AND WAS ALWAYS FASCINATED BY THE SPRAWLING CORPORATE CAMPUSES ALONG ROUTE 1—JUST ACRES AND ACRES OF GRASS, WITH TREES AND PONDS. THEY SEEMED LIKE LOVELY PLACES TO WORK. Indeed, if you didn't mind driving fifteen minutes to find somewhere to eat lunch.

HOW DID YOU BECOME INTERESTED IN CORPORATE SUBURBAN LIFE?

I'm a landscape architect by trade, and I worked for two firms that designed these kinds of landscapes. That's how I became cognizant that these campuses were very important projects for landscape architects in the postwar era, in the same way that park design had been in the late nineteenth and early twentieth centuries. And eventually, I realized that people use imprecise terms such as *corporate campuses*, *office parks*, and *technology parks*, but that nobody quite understood these projects—and that nobody had studied them.

WHEN DID COMPANIES START LEAVING CITIES?

It started much earlier than people think. The first plan for a corporate campus was in 1929, for the AT&T division Bell Labs. The company bought land in Summit, New Jersey; they hired the Olmsted Brothers of Brookline, Massachusetts; and they came up with plans that looked like a classic college quadrangle. The Depression hit, so AT&T didn't build it right away, but they had the land and the plan, and in the late 1930s they revised it to emphasize the buildings and the technology. Bell Labs moved there in 1942, and the site became a fundamental model for everything that followed.

In the way that American managerial capitalism was invented in the 1920s and then became the model for most corporations globally, American companies developed a new management structure in that period. They created a new middle-management division: research and development. And companies needed new facilities for R&D—not downtown, where the CEO might be, and not in the factory, where scientists had typically been.

HOW DID THINGS WORK OUT IN SUMMIT, NEW JERSEY?

Summit was a very genteel area, a classic railroad suburb with no large commercial enterprises. The locals went ballistic over AT&T moving in, since they assumed the facility would be a factory and were a little worried about the workers being blue-collar.

GENERAL FOODS HEADQUARTERS

RYE BROOK, NEW YORK

General Foods conceived the 800 Westchester Avenue complex in 1979, as "a modern interpretation of a classical English manor," and moved in four years later. But soon afterward, Philip Morris acquired General Foods and in 2004 sold the site to RPW Group. Today a number of smaller clients occupy the gleaming complex, complete with salons, TV studio, and fitness center.

The president of Bell Labs assured people it would not be a factory, but to make sure, Summit created the country's first research-and-development zoning. The buildings were surrounded by a huge, designed landscape; it looked like a campus, so people begin to call it a campus, which was appropriate: These companies were competing with universities for scientists; they were trying to entice them into the capitalist enterprise.

AND THE EFFORT PAID OFF?

It was an enormous success: Top scientists said, "Yeah, I'll go work for AT&T." In 1948, Bell Labs scientists invented two things that transformed human existence—the transistor and the bit. You put those two together, and you have the rest of the twentieth century. That's the kind of people they were attracting. They had beautiful, up-to-date lab facilities; scientists looked out of their windows onto big trees and rolling lawn. They drove from their houses in Summit right to a parking lot a few feet from their offices. They had a wonderful cafeteria and lounge—no, Google did not invent those—where they could all talk.

WITH THESE MOVES TO SITES WITH TREES AND LAWNS, DID COMPANIES HOPE TO SOFTEN PEOPLE'S IMPRESSION OF THEM? YOU WRITE THAT, AT THE TIME, "THE BROAD PUBLIC VIEWED THE NEW PHALANX OF GIANT CORPORATIONS AS SUSPECT, EVEN THREATENING."

AT&T was not quite in that condition, but other companies were. And over time, they all came to understand the rhetorical import of these places, and that they could use their campuses for public relations as well as recruitment. There's this *gorgeous* view of the Deere and Co. Administrative Center, with trees and a pond, and that view is on every single one of their major corporate publications.

Connecticut General moved from downtown Hartford to the countryside, five miles away, partly because CEO Frazar Wilde was a big naturalist, and the new site got huge publicity in business magazines and architecture and

RAVINIA HEADQUARTERS

DUNWOODY, GEORGIA

Built in the 1980s, this suburban office complex north of Atlanta houses the U.S. headquarters of InterContinental Hotels Group, a number of other companies, and a woodland site; indeed, the buildings form a protective enclosure for the forest at the center.

design magazines. Wilde actually convened a conference there on the future of the American city, and it got covered in *Life* magazine—meaning that every household in America saw these *spectacular* spreads of this *spectacular* new place. These buildings and landscapes projected a very positive image.

PASTORAL CAPITALISM RECOUNTS HOW SOME COMPANIES, IN THE EARLY '50S, INSISTED THAT IDYLLIC SETTINGS WERE MORE CONDUCIVE TO CREATIVITY AND THINKING IN GENERAL. IS THERE ANY TRUTH TO THAT?

The only systematic study was done at Deere in the late '60s, and people said they really liked their offices and really, *really* liked the surrounding landscape. But when they first started working at these campuses, highways were expanding, commuting was easy, and people reported greater productivity. Today, one factor that's really important to people is how much time they spend in traffic going to and from their workplace. And these landscapes have created an untenable situation in terms of traffic—and energy consumption.

WAS IT AN INEVITABLE SITUATION, THOUGH? DIDN'T COMPANIES HAVE TO EXPAND _SOMEWHERE?_

Definitely. They did have to come up with some different workplace in the 1950s. Downtowns were difficult to change and not conducive to massive expansion in the corporate economy; corporations were expanding extremely rapidly, and it was really hard to come by high-quality office space that wasn't divided up into tiny pieces. Cities said they would create redevelopment zones, but that turned out to be socially and economically devastating. Businesses

had to build something new. They really needed the additional space.

Of course, corporate campuses—built by corporations for corporations—are immensely costly, even more so when they were first moving out there, since they had to build the buildings and the parking lots and the infrastructure to support everything. If you're building out on a site that's one mile by two miles, like the GM Technical Center, that's a lot of sewer lines. And then they have to maintain it.

So campuses are not cost-effective in the traditional sense. These are grand buildings meant to attract a certain kind of personnel and to create a certain kind of image. For a smaller company, it's probably too big. That's where the office park becomes useful. You can buy a lot and build your own building, you can have the developer build to suit if you're the first tenant, you can move into a building that's already built; you can have leases of different lengths. So office parks are much more cost-effective, and much more flexible for tenants.

OFFICE PARKS DON'T EXACTLY HAVE THE SAME PASTORAL IMPACT AS CAMPUSES DO.

They have teeny little bits of landscape, to give the effect of looking out at green, but most of the surface area is given over to parking.

HOW DID THE OFFICE-PARK IDEA COME TO BE?

By the late '60s, there was plenty of office space in the cities, but cities had tumultuous social conditions and issues of race and class, and executives were looking to remove themselves from difficult social situations. So in the middle of the civil-rights era, Atlanta saw massive expansion of office parks. The first office park was near Birmingham, in Mountain Brook—a bastion of the white upper middle class.

WAS THAT INTENTIONAL?

It was absolutely intentional. Mountain Brook was an explicitly segregated suburb. That was the formulation of corporations in the 1950s and '60s. Not anymore, of course. In my experience, corporations are stalwart defenders of affirmative action, because they recognize that they work in a global world and that it's stupid to potentially miss someone who's really smart.

COLLEGE LIFE INSURANCE OF AMERICA COMPANY HEADQUARTERS

INDIANAPOLIS, INDIANA

College Life Insurance is long gone, but the complex the company commissioned in the late 1960s—now dubbed the Pyramids—still beautifully balances landscaping and sculptural abstraction. The original plan called for up to nine towers, connected by passages above and below ground; only three were built.

DOES MOVING TO THE SUBURBS AUTOMATICALLY MAKE COMPANIES LESS DIVERSE? IT'S MUCH HARDER FOR WORKING-CLASS PEOPLE WITHOUT CARS TO GET PLACES, AND PLENTY OF YOUNG URBANITES WANT TO STAY IN THE CITY.

It's true: Downtown, you have a wide range of workers, while in the suburbs, everything gets segregated—not just by race and class but by different kinds of workers. Suburbs today are still segregated enclaves, and suburban jobs are incredibly inaccessible to a diverse labor pool. In fact, many times, these residential enclaves and these workplaces are actually quite close to each other on the map, but you can't get there from here except in a car. So that means huge parking lots, and huge square footages of roadways, and short trips. And it's a real challenge to retrofit this kind of landscape to provide connectivity and density.

I know from my students at one of the design firms working on the Facebook campus that companies are interested in making campuses more urban, because that's what the kind of hipsters who work for these technology companies want. Genentech and Apple and Facebook run their own private bus systems from San Francisco to their campuses, since so many of their young employees don't want to live in Vallejo or Vacaville.

HOW ABOUT WORKERS IN OTHER COUNTRIES? HAVE COMPANIES ELSEWHERE MOVED OUT TO THE SUBURBS?

Absolutely. It happened in Britain first, with office parks, and then, in the early '70s, IBM built its European headquarters on a big corporate estate outside of Portsmouth. A few companies built big suburban campuses, but mostly it's office parks—specifically, technology parks. In Europe, they tend to be compact, and they're connected to transit.

WHY SO MUCH LATER THAN IN THE UNITED STATES? BECAUSE OF THE OMNIPRESENCE OF CARS HERE?

That's part of it. But mostly it's because Europe has much, much stricter zoning. In Britain, they had to invent a whole new set of regulations, decades after New Jersey invented R&D zoning. You also have to keep in mind the massive domination of American corporations. European companies weren't expanding at the same rate, across so many different entities, in the 1950s and '60s. In Britain, it took three decades to recover from the war.

Only in the last few decades, we've started seeing parks in other Anglophone countries: Australia, New Zealand, and South Africa. There was a huge explosion of office parks in South Africa after apartheid, for all the same reasons why they showed up in Birmingham and Atlanta.

The exception is Bangalore, where companies like Wipro have built campuses to portray the right image to overseas clients and to keep skilled people. The infrastructure in Indian cities is very poor, and companies are trying to prevent their engineers from going overseas, so they're decamping from the cities and building their own infrastructure systems—water, sewage, trash collection, power plants.

Remember that American cities got good infrastructure only in the first part of the twentieth century, during the Progressive era, when corporations played a huge role in making infrastructure better—people had to live and work in these cities, and it behooved them to have better systems. In the developing world, they're not going through that phase—they're just abandoning the cities. There's a massive divide between ordinary residents of a place like Bangalore and what these campuses are.

WHAT'S NEXT FOR CORPORATE LOCATIONS IN THE UNITED STATES?

What I think we're moving toward is what they're doing in Portland, Oregon—a multicentered city that's no longer split between downtown high-density and suburban low-density. You're going to see higher-density clusters in the suburbs, and at some point we're going to have to link those employment centers to the places where people live. Transit will have to be reoriented from going just from the suburbs to downtown, as they do now.

Whichever metropolitan regions figure this out first are going to win the future—along with whichever corporations figure out that rethinking location and transportation can get them better workers and higher productivity. Otherwise, what's going to happen—soon, because of the dwindling oil supply—is that companies will discover that their workers cannot afford to drive to and from work.

OK, SO SUBURBAN CAMPUSES MAY NOT BE ENVIRONMENTALLY RESPONSIBLE, OR CONVENIENT, OR COST-EFFECTIVE, OR IN SYNC WITH A DIVERSE WORKFORCE. BUT THEY'RE UNDENIABLY PRETTY.

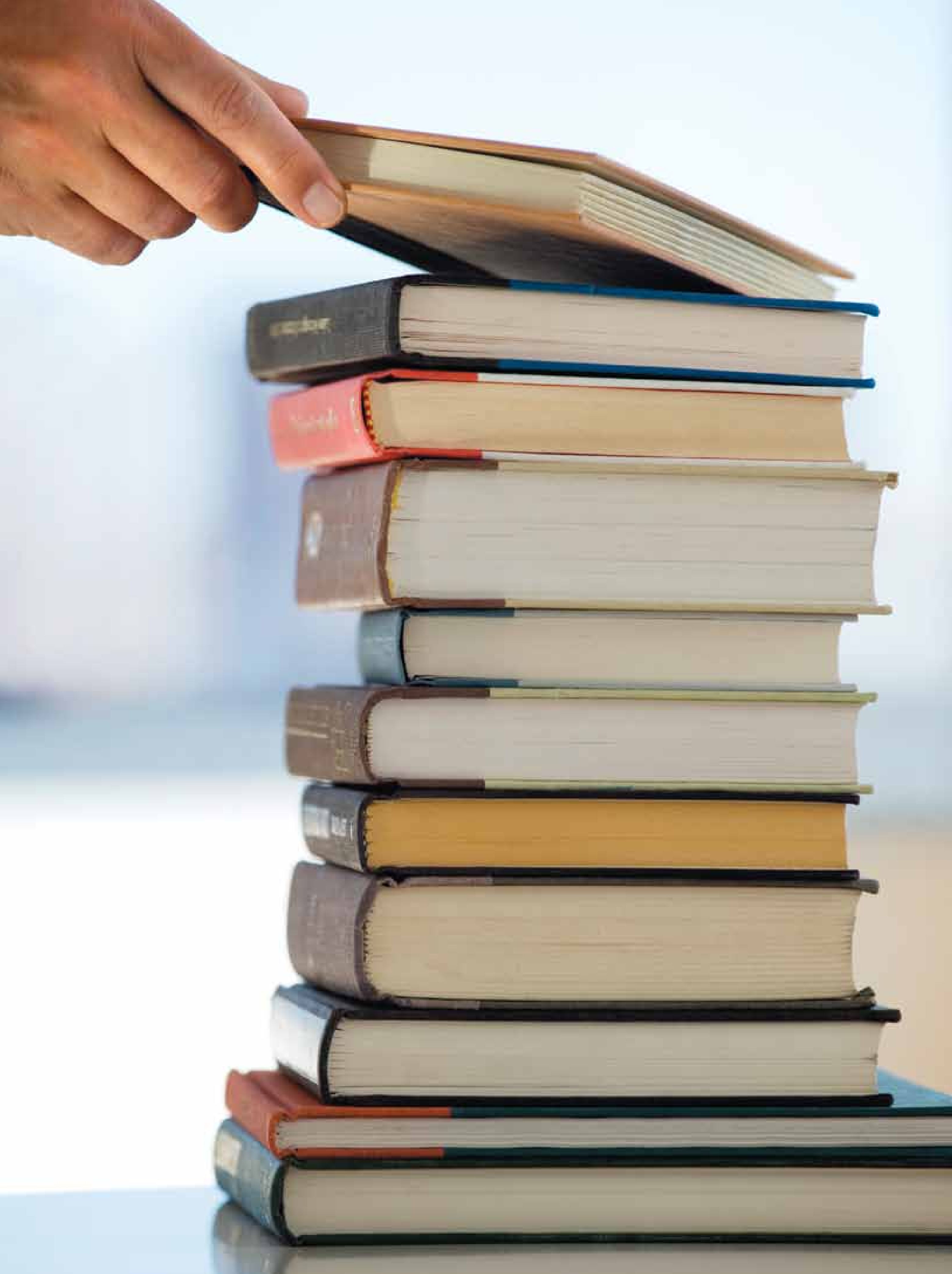
Everyone is soothed by landscapes; it's very difficult to resist a garden. To resist the aesthetics of these places, you have to have an acutely resistant mindset; you have to be incredibly skeptical. Silicon Valley may be full of office parks, but it's all billowing oaks and swaying eucalyptus, and as Americans, we're trained to like that kind of composed nature. We say, "Yeah, I don't know what they do in those buildings, but the view is really pretty."

But all of the reasons why campuses might have made sense in the 1950s don't necessarily add up today. We should be talking about reshaping these parks and campuses for the future.

WHO WILL PUT THESE CHANGES IN PLACE? IT'S BEEN A LONG TIME SINCE THE PROGRESSIVE ERA.

Everyone focuses on how resource-consumptive residential suburbanization is, but these landscapes are in the hands of many fewer entities, and it seems like a really good place to start reformulating the way we live and work. We need to start asking about workplaces: Where are the transit links? Where are the pedestrian links? Where are the bicycle links?

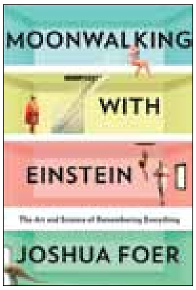
Suburban campuses were invented by a handful of CEOs—landscape architects were only responding to the ideas of a few business leaders. It's not usually that way: Suburbanization was promoted by designers; skyscrapers were promoted by architects. *These* places were invented by CEOs. So my question is: Can't some CEOs get together and figure out what should be next? ■



In picking favorites, this year's panel of recent business-book authors came up with a handful of out-of-left-field selections, a few classics, and—as might be expected in a fraught political environment—several books on politics. Not to mention some straightforward business books. Most significant: At a time when the book has been declared dead and business books in particular often appear on shelves months or even years behind trends, everyone seems to be, well, reading.

—MATTHEW BUDMAN

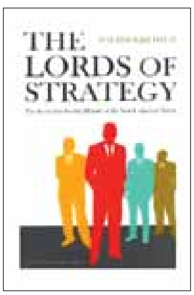
"WHAT'S THE BEST BUSINESS BOOK YOU'VE READ LATELY?"



DAN ROAM:

In this time of grave economic and political uncertainty, our gnat-like instant brain takes over, leading us toward whatever light looks brightest at the moment—which is almost never our best strategic option. In his magnificent *Moonwalking With Einstein: The Art and Science of Remembering Everything*, Joshua Foer reminds what it means to remember. Better, he walks us step-by-step through the two thousand-year-old secret of *how* to remember anything. Quick and easy answers? Forget it. Long-term smarts? Remember this.

■ MR. ROAM is a San Francisco-based consultant and author of *The Back of the Napkin*, *Unfolding the Napkin*, and, most recently, *Blah Blah Blah: What to Do When Words Don't Work*.



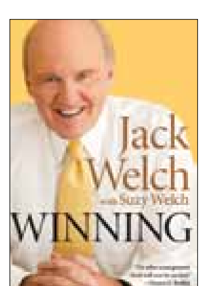
ROBERT FRISCH:

In *The Lords of Strategy: The Secret Intellectual History of the New Corporate World*, Walter Kiechel tells how frameworks emerged to allow management teams to analyze and discuss their challenges, with their consulting partners and more importantly among themselves. The ability to think about difficult strategic issues using standard methods—primitive before Bruce Henderson in the 1970s—has become widespread, driven both by the major business schools and the strategy consulting firms. When I joined Boston Consulting Group in 1982, there were three hundred consultants in the United States; now there are 4,800 just at BCG. Kiechel's book is the story of this thirty-year surge, in terms of the people and the ideas that drove it. At one level, it's the history of what is still a very young industry. At another, it tells how corporate strategy has become a serious intellectual pursuit. At still another, it's a useful primer on the major strategy frameworks that have been developed over the past few decades.

I facilitated an offsite for a client at IBM's Armonk, N.Y., conference center a few weeks ago. There are signs around, and T-shirts for sale in the employee gift shop emblazoned with the corporate motto: THINK. Reading Kiechel's book was a great reminder that one of the best ways to cope with a challenging business environment is to do just that—to think, as a team, in a disciplined way about sustainable, defensible solutions to those challenges.

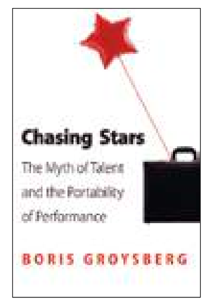
■ MR. FRISCH is managing partner of the Boston-based Strategic Offsites Group and author of *Who's in the Room?: How Great Leaders Structure and Manage the Teams Around Them.*

CHARLOTTE BEERS:



All the lonely months I was writing my new book, Jack Welch's *Winning* was my catalyst. It is a miracle of clarity and succinct wisdom on complex subjects such as choosing winners and how to compete. But it was also a goad for me, because in reading Jack's book, you'd think women had almost no role to play in the big, bad world of business. I'm on a mission to bring their presence and potential to the forefront. I want Jack's next book to feature amazing women leaders at work.

■ MS. BEERS is former CEO of Ogilvy & Mather and under secretary for public diplomacy and public affairs, and author of *I'd Rather Be In Charge: A Legendary Business Leader's Roadmap for Achieving Joy, Power, and Pride at Work.*

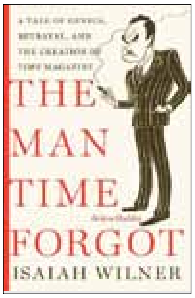


GEORGE ANDERS:

On Wall Street—where everything can be bought and sold in a heartbeat—some firms have tried to build up world-class investment-research departments by raiding the competition. Top analysts are hired for millions of dollars. They set up shop in a new firm. Then something weird happens: Yesterday's stars turn into tomorrow's disappointments. The analysts work just as hard—but not nearly as effectively.

Boris Groysberg's book explains why. *Chasing Stars: The Myth of Talent and the Portability of Performance* is the sort of business book that every brilliant professor dreams of writing and so few pull off. It draws big, transferable lessons from Groysberg's sample set. There's lots to learn about team-building, corporate cultures, employee churn, and loyalty. There are witty asides about how to stay organized, how to run a meeting, and why the anonymous assistants are far more powerful than we realize. Best of all, Groysberg turns his deep knowledge of a strange, specialized sub-industry into a wide-ranging parable about high-stakes hiring that is instructive for us all.

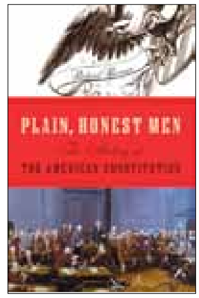
■ MR. ANDERS is one of the founding writers at Bloomberg View and author of, most recently, *The Rare Find: Spotting Exceptional Talent Before Everyone Else*.



ADAM LASHINSKY:

As I was finishing my book on Apple, I happened across Isaiah Wilner's masterful 2006 book *The Man Time Forgot: A Tale of Genius, Betrayal, and the Creation of* Time *Magazine*, a biography of Time Inc. co-founder Britton Hadden. The comparisons between the Time founders, Hadden and Henry Luce, and Apple founders Steve Wozniak and Steve Jobs are striking. Like Wozniak, Hadden was the creative genius of *Time*, responsible for all its early innovations, while Luce was the business visionary. For example, Hadden dreamed up Time-style, the magazine's witty and quirky manner of writing, while Luce focused on selling ads. Luce also was far better known because Hadden died at age 31; Wozniak, though he outlived Jobs, also exited Apple fairly quickly. The gripping drama of how Hadden and Luce founded *Time* is an important story of entrepreneurialism from another era. In rescuing Hadden from the shadows of twentieth century journalism history, Wilner has shed considerable light on the creation myth of a still-important company—and my employer today.

■ MR. LASHINSKY is senior editor-at-large for *Fortune* and author of *Inside Apple: How America's Most Admired—and Secretive—Company Really Works*.



DEEPAK MALHOTRA:

Richard Beeman's *Plain, Honest Men: The Making of the American Constitution* takes us back to the travails and triumphs of the Constitutional Convention in 1787. Set against the backdrop of one of the most consequential moments in American history are tales of creative deal-making, complex human relations, and the masterful management of conflict and process—but also of mismanagement, miscommunication, and miscalculation. Woven throughout the book is the recurring theme that individuals and their actions are of consequence; what we want to achieve and how we attempt to achieve it *matter*. It is an insightful read for anyone interested in the fields of management, strategy, leadership, or negotiation.

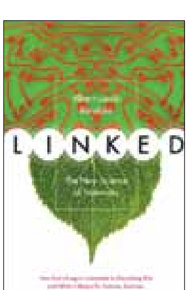
■ PROFESSOR MALHOTRA teaches at Harvard Business School and is co-author of *Negotiation Genius* and author of *I Moved Your Cheese: For Those Who Refuse to Live as Mice in Someone Else's Maze*.

JAMES G. RICKARDS:

The best business book I read in the past year is Ron Suskind's *Confidence Men: Wall Street, Washington, and the Education of a President*, a classic insider account of politics and policy in the White House during the first two years of the Obama administration, similar in style to the many inside accounts offered by Bob Woodward. When one considers that the failing economy was the dominant policy issue during this period and that decisions made in the White House affected every business, large and small, in terms of taxes, health care, regulation, finance, and the foreign-exchange value of the dollar, it soon becomes clear that this is a business book par excellence.

Suskind has been criticized for a few factual errors, but his powerful narrative skill and insight overcome these missteps. The reader is left with an indelible impression of President Obama as a man with little knowledge of economics or business who relied on the "best and the brightest" only to be undermined in his goals by infighting, flawed beliefs in the power of so-called "stimulus," and cronyism with Wall Street. *Confidence Men* is a tour de force and a stinging indictment of the president's failures in policy and personnel.

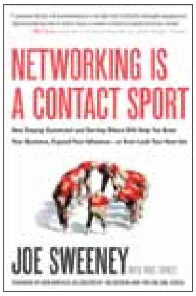
■ MR. RICKARDS is a lawyer, economist, and investment banker, and author of *Currency Wars: The Making of the Next Global Crisis*.



PEGGY HOLMAN:

How we humans organize ourselves to get work done is transitioning from hierarchies to networks. So I picked up Albert-László Barabási's 2002 book *Linked: How Everything Is Connected to Everything Else and What It Means for Business, Science, and Everyday Life* to learn about networks. I now know that two fundamental dynamics are at play in a network: links connecting and hubs coalescing. The book has me thinking about implications for leadership: What is the role of a leader in a hub? What does link leadership look like?

■ MS. HOLMAN is a Bellevue, Wash.-based consultant, author of *Engaging Emergence: Turning Upheaval Into Opportunity*, and co-author of *The Change Handbook: The Definitive Resource on Today's Best Methods for Engaging Whole Systems*.

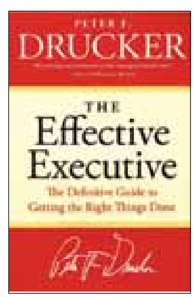


HARVEY MACKAY:

Joe Sweeney built his career by "combining his love of business and his passion for sports." The title of *Networking Is a Contact Sport* doesn't refer to hard hits or banging bodies—it's about staying in contact with folks whose paths cross yours throughout a career. From the beginning, he encourages readers to take this approach to networking: "When you truly give to others without any expectations or strings attached, you will receive much more than you ever could have expected." He shares insights on networking personality styles, identifying traits on both sides of a networking relationship, and then describes how to choose the best approach to connect productively with many kinds of people.

■ MR. MACKAY is chairman of MackayMitchell Envelope Corp. and author of, most recently, *The Mackay MBA of Selling in the Real World*.

AARON SHAPIRO:



This year, I revisited *The Effective Executive* by Peter F. Drucker, the classic manual for productivity first published in 1967. It is brimming with timeless advice such as, "Time is the scarcest resource, and unless it is managed, nothing else can be managed." But I found the most inspiration by putting a time stamp on his words. Executives, he says, need to be able to carve out "fairly large chunks" of time to get work done, while "innovation and change make inordinate time demands," and executives are under constant pressure to waste time. But he had no idea of the scope of this conflict. This was written before always-on, dinging, vibrating, and flashing communication tools rested in every executive's pocket and on the conference tables of every meeting, and before goliath businesses and industries were being challenged by fast-moving startups and technology companies. It provoked me to deeply consider what makes an executive effective in the digital world—and to check my email less frequently.

■ MR. SHAPIRO is CEO of Huge Inc. and author of *Users, Not Customers: Who Really Determines the Success of Your Business*.

AMY LYMAN:

I recently read Frank Koller's *Spark: How Old-Fashioned Values Drive a Twenty-First-Century Corporation*, an absorbing account of Lincoln Electric, a Cleveland-based manufacturer of electric arc-welding equipment, that focuses on its guaranteed-employment program. Lincoln's record of significant profit-sharing is testimony to a number of practices that have fueled the company's long-term success. Besides the guaranteed-employment program, a key practice in use is an advisory council composed of workers, elected by their peers, who meet with Lincoln's president to discuss issues of concern to everyone in the company. Clear, open, honest and direct communication influences all of the employee-management interactions that happen at Lincoln.

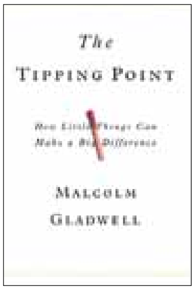
Koller's well-written book is definitely worth reading. This story of enduring values guiding company operations is inspiring. Lincoln has achieved tremendous success as an organization, in terms of both its market share and its reputation as a respectful group of people.

■ MS. LYMAN is co-founder of the Great Place to Work Institute and author of *The Trustworthy Leader: Leveraging the Power of Trust to Transform Your Organization*.

JIM STENGEL:

I just loved reading *Different: Escaping the Competitive Herd* by Harvard Business School professor Youngme Moon. It is the anti-business book business book—personal, reflective, insightful, and incredibly useful in my day-to-day activities in consulting and teaching. Moon shows how the behavior of business and marketing people in highly competitive situations actually drives brands to be more similar versus more differentiated. If leaders take Moon's advice to heart, they at least will have a shot at charting a new course, a new strategy toward customer-inspired differentiation. I think about her concepts nearly every day.

■ MR. STENGEL is a Cincinnati-based brand consultant, former global marketing officer at Procter & Gamble, and author of *Grow: How Ideals Power Growth and Profit at the World's Greatest Companies*.

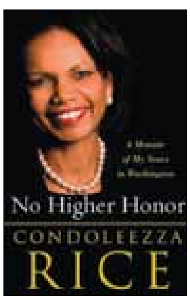


RYAN BLAIR:

In *The Tipping Point: How Little Things Can Make a Big Difference*, Malcolm Gladwell talks about needing a maven, a salesman, and a connector, and truth be told, I'm not much of a connector. I have an introverted nature and like to contemplate more than I like to communicate. Knowing this, I found connectors to complete my skill set. I also used Gladwell's book to structure my own and used his theories to create brand epidemics with my company. If not for *The Tipping Point*, I wouldn't have understood how epidemics could be caused by brands, and I highly recommend it to anyone looking to create or prevent an epidemic. It was my war plan for two, back-to -back tipping points.

■ MR. BLAIR is CEO of ViSalus Sciences and author of *Nothing to Lose, Everything to Gain: How I Went From Gang Member to Multimillionaire Entrepreneur.*

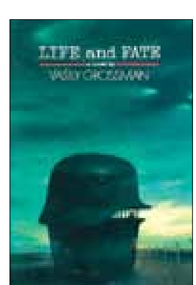
ROBERT F. HURLEY:



I highly recommend that people read Condoleezza Rice's *No Higher Honor: A Memoir of My Years in Washington*—but don't stop there. When you have finished, pick up Thomas Ricks' *Fiasco: The American Military Adventure in Iraq*, and then dive into Doug Feith's book *War and Decision: Inside the Pentagon at the Dawn of the War on Terrorism*. In reading these three books, you will get a fascinating window into strategic decision-making at the highest levels, conflict and distrust among key actors, and the challenge of formulating and implementing strategy in complex and risk environments. These issues of making difficult decisions in ambiguous and risk environments are critical for leaders today. So is forming a top team that can develop trust in one another so that complexity and risk can be dealt with together. Rice's very candid and accurate conclusion is that the National Security team in the White House during the Iraq war "could have done better" at this.

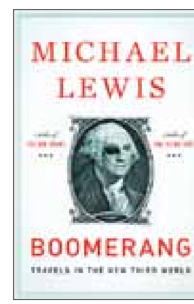
■ PROFESSOR HURLEY teaches at Fordham University, is president of a behavioral-science consultancy, and is author of *The Decision to Trust: How Leaders Create High-Trust Organizations*.

STEPHEN LEEB:



On many levels, Vasily Grossman's *Life and Fate* , written in 1959 and unpublished until 1986, has influenced me more than any other book that I have read not only this year but in my entire adult life. Set during the Siege of Leningrad during World War II, Grossman's novel, which many critics compare to *War and Peace*, is terrifying testimony to how precious our basic freedoms are. On a personal and specific level, it tells me, as someone who cherishes our American way of life, that when it comes to economic and resource security, we must not be complacent; we must not compromise.

■ MR. LEEB is chairman and CEO of Leeb Capital Management and author of, most recently, *Red Alert: How China's Growing Prosperity Threatens the American Way of Life*.



ROBERT FRANK:

Michael Lewis's *Boomerang: Travels in the New Third World* proves that a gifted storyteller can make even the euro crisis a gripping tale. Loaded with memorable characters and quotes, *Boomerang* reminded me of P.J. O'Rourke's rollicking *Holidays in Hell*, with more finance and less drinking. Lewis introduces us to a gun-wielding hedge-fund manager, a cod fisherman-turned-currency-trader, a bearded Greek monk/real-estate titan and an Irish banking regulator who appeared more like "the crazy uncle" who "had been sprung from the family cellar" than a wizened financial sage.

Like Lewis's *The Big Short*, *Boomerang* proves that "acts of madness" by individuals and cultures contributed as much to the financial crisis as faulty systems and institutions. One of my favorite lines is: "Leverage buys you a glimpse of prosperity you haven't really earned." It's true of people and countries alike. ■

■ MR. FRANK is a senior writer at *The Wall Street Journal*, for which he writes The Wealth Report, and author of *The High-Beta Rich: How the Manic Wealthy Will Take Us to the Next Boom, Bubble, and Bust.*

MICHAEL E. RAYNOR is a director with Deloitte Consulting LLP and author of *The Strategy Paradox* and, most recently, *The Innovator's Manifesto*. He can be reached at mraynor@deloitte.com.

RELATIVELY RIGHT VS. WHOLLY WRONG

Are you making mistakes in your pursuit of perfection?

RECENTLY, OVER TWO CONSECUTIVE DAYS, I HAD THE OPPORTUNITY TO WORK WITH THE MANAGEMENT TEAM OF A GLOBAL MULTIBILLION-DOLLAR COMPANY THAT OCCUPIES THE COMMANDING HEIGHTS OF ITS INDUSTRY, and then a six-person startup that has yet to see its first dollar of revenue. These two sets of conversations so close together were for me a powerful reminder of a very valuable lesson: that very often the most important things are the simplest to understand, the hardest to do, and, as a result, the easiest to lose sight of.

The big multinational was wrestling with its energy consumption and greenhouse-gas footprint. It had a myriad of initiatives under way around the world, each of which made perfect sense on its own. Collectively, however, they weren't having the desired impact, despite what seemed to be entirely reasonable divisions of labor among the various layers of the company's relatively flat hierarchy. Headquarters set long-term objectives (greenhouse-gas reductions, growth, etc.) and reinforced or specified the unavoidable constraints (legislative and regulatory compliance, profitability, shareholder returns, etc.). Regional management helped translate those into more specific requirements for each country or location. And local management made the necessary operating decisions in light of the facts on the ground.

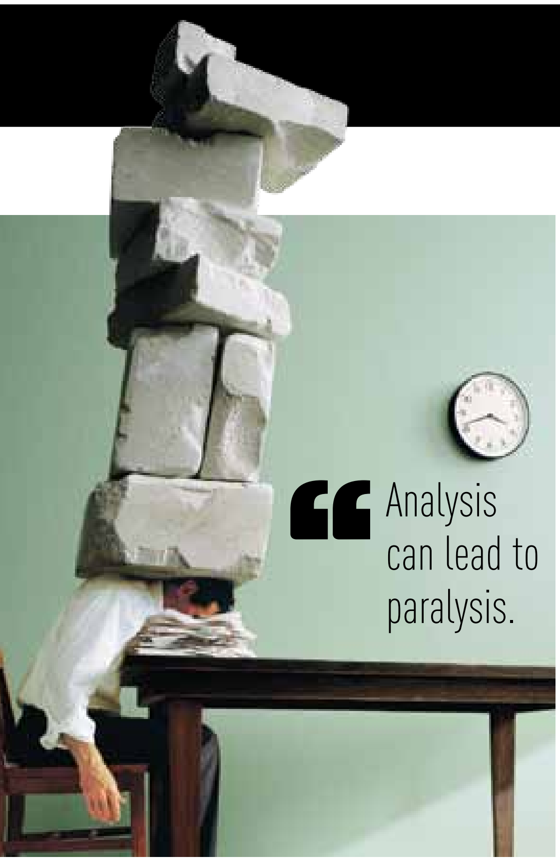
Reasonably enough, this led to a quest for the best tradeoffs among different ways to reduce energy use and carbon emissions. For example, there is no point in making major investments in energy efficiency in locations that were due to close in less than five years; that money could be used for state-of-the-art equipment at new locations that would result in a larger net reduction.

However, the tactical complexity of reducing this company's energy use and carbon footprint is difficult to overstate. With so many moving parts, the optimal solution is almost certainly impossible to find. When we attempt to make "all the right tradeoffs" instead of keeping the achievement of our goal front and center, the resulting complexity can cause us to lose sight entirely of what we are attempting to achieve.

For example, it matters a lot whether diesel is burned as fuel in a truck or fuel in an electricity generator. In the case of the former, there are, as yet, no viable substitutes. But for electricity, there are alternatives; some are based on renewables, such as solar, and others have a smaller carbon footprint, such as drawing power from the grid. However, since most of the company's diesel was burned as fuel, the incremental cost and carbon associated with diesel-generated electricity was easy to overlook.

From a capital-expenditure perspective, though, the cost of diesel generators was significant, and so there was strong pressure to keep costs low by buying less expensive and, hence, less efficient devices. This meant that not only was the company burning far more diesel for electricity than it had to—there was also a systematic lack of learning when it came to reducing the organization's carbon footprint through the more efficient use of less carbon-intensive electricity.

Solving that problem isn't about creating a "big picture" view from the top to inform the cross-functional communication and interaction across the hierarchical levels that is so often seen as the antidote to the divide-and-conquer paradigm of complex organizations. All the information required was available—that's the only reason it was possible to diagnose the problem. What was needed was not more data at the top but a big-picture perspective *throughout*. Absent a set of shared



priorities that keep in the foreground the most important objectives and constraints, the inevitable blizzard of complicating factors that seem relevant will obscure the ultimate objective.

With this in mind, consider now the small startup. The business model for this Web-based venture was premised on connecting customers directly with small manufacturers. Historically, the manufacturers in this industry had been forced to deal with distributors, who, understandably, were most interested in keeping happy their biggest customers—who were, predictably, the biggest manufacturers. Consequently, small manufacturers faced a catch-22: They couldn't get large-scale distribution because they had few customers, and because they had few customers they couldn't get large-scale distribution. Our startup would solve this problem.

When it came to signing up manufacturers, however, the startup found itself facing its own catch-22: Small manufacturers were hesitant to sign on because the startup had few customers; yet customers would likely be scarce until there were plenty of manufacturers on board.

The way out, they felt, was to sign on distributors, which would be easier than signing on manufacturers, since the distributors would see the new service as low-risk, as well as experience incremental sales—which, in turn, would allow the startup to get off the ground and make it simpler to sign up new manufacturers. In addition, working with distributors would make it much easier for the startup to develop its IT infrastructure, since, unlike small manufacturers, distributors would have well-developed systems themselves that the startup folks could plug into. The small manufacturers, on the other hand, often needed assistance just formatting their data—when it was possible to get reliable data at all. Finally, the broader product selection would give the startup a powerful marketing message and draw in customers quickly.

But as we explored the implications of this tactical workaround, it became less and less attractive. Would this early dependence on distributors compromise the company's key differentiator and perhaps risk alienating early customers? The team conceded that it would, but it was a compromise worth making in the interests of more revenue, sooner.

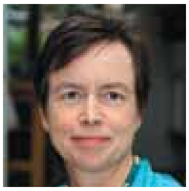
Yet how easy would it be for the new company to wean itself off distributors' revenue stream as it moved to an exclusively manufacturer-direct model? That was hard to say: Ironically, the more successful the distributor-based strategy in the early days, the more difficult it would be to drop the distributors in the future, since they'd be a large percentage of the startup's revenue and a key driver of the selection that the by-then-established customer base would come to expect. But, the company felt, this was a risk worth taking. Would profitability be undermined? Yes, but again, only for as long as it would take to sign on enough manufacturers that the distributors could be jettisoned.

In short, signing on distributors, which seemed to solve so many individual problems, just might make it impossible for the venture to realize its initial vision.

Reflecting on this discussion over the following several days, a new consensus emerged, replacing what had been the firm's avowed strategy for the previous several months: They could maintain their strategic integrity and get started without signing on distributors, after all.

Only time will tell whether this will turn out to be the right decision. The point of the story for present purposes is that, just as with the big multinational, deciding what to do was not a question of access to information or an integrated view of all the moving parts. This was a team that had been spending more time with each other than with their families for months. They talked to each other constantly about every last detail of every last detail. Everyone knew a goodly amount about everything going on. Yet even so, the tradeoffs remain painful, it's tough to keep priorities straight, and it is always difficult to know what the right answer is.

The world has a certain fractal, scale-insensitive complexity to it. Analysis can lead to paralysis for just that reason: There is always another level of detail. As a result, the pursuit of an optimal solution can very often lead you much further astray than imprecise guesses informed by a steadfast conviction of the righteousness of your objective. That very often can be difficult, for cost-benefit analyses—well-intentioned ones informed by the best data available and a long-term time horizon—can suggest that more attractive alternatives exist, if only we look hard enough. But in the end, it is much better to be approximately right than precisely wrong. ■



ALISON MAITLAND is co-author of *Future Work* and *Why Women Mean Business*. A former longtime writer and editor for the *Financial Times*, she is a senior fellow in human capital at The Conference Board and a senior visiting fellow at Cass Business School, London. She can be reached via alisonmaitland.com.

A NEW ORDER

When revamping your corporate culture, the first rule is to have fewer rules.

RULES OFTEN STOP BUSINESSES FROM BECOMING MORE FLEXIBLE AND EFFICIENT, AS THE FOLLOWING STORY ILLUSTRATES.

Drivers for Abel & Cole, a U.K. organic-food company, used to have to make deliveries in the order set out by a logistics expert, even though there was a better way. The drivers knew where the traffic bottlenecks were, but if they wanted to avoid them, they had to make a formal request subject to approval by planners.

Then the company decided to put control into the drivers' hands. It reprogrammed the logistics software so the drivers could decide the routes and the hours they worked to ensure that they meet delivery targets.

Deliveries sped up. Some drivers got up as early as 3 a.m. to avoid the snarl-ups. Some swapped customers to create more efficient routes. Eventually, the delivery system was completely reorganized. Thanks to their newfound autonomy, the drivers were able to cover for each other, and they were more satisfied with their jobs. The company saved money and provided a more reliable service to customers.

This story is told in a refreshing new book, *The Happy Manifesto* by Henry Stewart, founder and CEO of Happy Ltd., a London-based training company that has won a string of awards for customer service, positive impact on society, and being one of the United Kingdom's best places to work. Great management, Stewart writes, is about getting out of the way. A manager should be there to provide support, coaching, and advice, not to check up on people and second-guess them. He advocates "pre-approval"—giving workers clear objectives, training them, presenting them with all the information they need, and then letting them get on with it, secure in the knowledge that what they decide is best for the business will have management backing.

Stewart admits this is "scary," especially at first. But he is adamant that it's worth it. "Pre-approval has a very positive effect on a company culture," he says. "It encourages people to take more ownership and responsibility for their work. It also encourages innovation and creates a culture of looking for solutions."

Trust is at the heart of this relationship between manager and employee. It's based on the belief that most people, given freedom to act, will be self-motivated and will take responsibility for their decisions. Managers have often resisted this approach, while rules and processes have reinforced organizational inertia, yet this democratic view of management is more important than ever in the new world of work, with teams increasingly dispersed across locations and time zones. To remain competitive, companies need to make the shift from "manager knows best" to "manager provides the tools and objectives and leaves people to achieve the results."

In researching our new book, *Future Work*, Peter Thomson and I asked managers twenty-five questions to rate their current and ideal organizations on a scale between two opposite cultures: "Type A," a top-down, command-and-control ethos, and "Type B," which trusts and empowers people. We found that strong Type B cultures are significantly likelier to be flexible about how and where work gets done. This type of culture also values creativity and questioning the rules, trusts people to "do the right thing," and rewards outcomes rather than time and presence.

If people are given freedom to act and to challenge the rules, then this raises some interesting questions: Do we need rules at all in the new world of work, and if so, what kind? If people are to be truly empowered to do the job, won't rules just stand in the way?

Some companies we interviewed have drawn up quite strict rules for new behavior. Vodafone in the United Kingdom and Microsoft in the Netherlands have both moved to new buildings that exemplify the way of working that they want to encourage.

Most employees are able to work anywhere, so most people see the office as a place to meet and collaborate. There is a lot of open space and glass, rather than solid fixed walls and individual cubicles.

The senior people at both organizations say they need the new rules to reinforce the changes and prevent workers from slipping back into bad old habits, and that goes for managers as well as frontline staff. At Vodafone, no one, including the CEO, has more than a single drawer in a filing cabinet for possessions; everything that can be must be archived electronically. Because people still need to do some concentrated, individual work in the office, the company has set aside three glass-enclosed, shared "libraries" for quiet work. The rule is that if you talk in the library, you will be subject to a £50 fine. (The company tried providing small booths for concentrated work but abandoned them because some people tried to turn them into private offices, which defeated the goal of openness and collaboration.)

At Microsoft Netherlands, there are signs saying "Camping Forbidden." People cannot take up residence, leave their stuff on the desk, and wander off to meetings for the rest of the day. "If you don't use your place for two hours, you have to clean it and leave," explains Gonnie Been, manager of corporate communications and social innovation.

I can see the need for clear guidelines, especially when you are trying to effect a big change in thinking and behavior. But there's a danger that a new set of rigid rules could simply replace the old ones. If your people are told they must obey these new rules without question, might the new Type B culture that you have tried so hard to encourage gradually revert to a Type A one? If you truly believe that people are self-motivated and will take responsibility, aren't these rules treating them like children all over again?

The best approach is probably to have some clear principles and let people work out how to apply them. In *Future Work*, we set out five principles for making a successful shift to more productive and people-friendly work styles: trust your people, reward output, understand the business case, start at the top, and treat everyone as an individual.

Unilever, which has embarked on an "agile working" program, has its own principles: Employees may work anytime, anywhere, provided business needs are met; leaders must lead by example; performance is determined by results, not time and attendance; travel should be avoided whenever possible; and managers are assessed on how well they support agility.

Another principle could be: Give people freedom within clear guidelines. Stewart asked hundreds of delegates at a conference which of three options they would prefer at work: being told what to do, total freedom, or freedom within clear guidelines. Nearly 90 percent chose the third.

At his training company, Stewart talks about implementing systems, not rules. "A rule has to be obeyed," he says. "In response to a rule, you are expected to suspend your judgment. A system is the best way we have found so far to do something. But if any member of staff can think of a better way in the situation they are in, they are encouraged and expected to adapt the system."

So, if you must introduce new rules in order to shift the culture of your organization, here are two more principles to follow: Make sure that the rules are drawn up with employees' input and agreement, not just imposed. And revisit the rules regularly to check whether they are helping or hindering greater productivity and better customer service. ■

LAURIE RUETTIMANN is an HR and social-media strategist at The Starr Conspiracy and founder of Punk-RockHR.com.

"ZIONIST JEWS NEED TO BE RUN OUT OF THIS COUNTRY!"

When an employee makes this remark outside of the office, what should a company do?

I WANT TO BELIEVE THAT MY FAMILY IS JUST LIKE YOURS. We are a working-class group of men and women from the northwest side of Chicago. Some of us are civil servants, a few of us are teachers, and many of us are retail workers and waitresses. No one is fancy or pretentious. We come together to celebrate milestones—anniversaries, weddings, and holidays—because we love one another. Life is good. Except that someone always drinks too much and says something incredibly stupid.

One year, we gathered around the table for a family meal, and my uncle decided to enlighten us on the less charming qualities of the Irish, in a loudmouthed monologue that visibly upset one of my younger cousins. America is changing, and there is a whole generation of teenagers unaware of the complex history of working-class-on-working-class bigotry. I offered comfort—her best friend, she confessed, is Irish—but steered clear of the dinner-table argument. I have learned enough in my HR career to know that you can't fight stupidity with facts.

That said, if people insist on voicing unenlightened, inflammatory opinions, the dining room is the safest place.

YouTube, cable news, and Internet message boards are making it easy for proudly ignorant people to go public with conspiracy theories and racist rants—and they are making life difficult for corporate HR reps who just want everyone to get along.

In a recent case of an employee behaving badly, Tony Tucker, a white forklift operator for food-services provider Sysco allegedly joked about the KKK—because nothing is funnier than white supremacy—and asked his two black supervisors why they were sitting at "the white table" in the cafeteria. The following day, the company fired Tucker. I think Sysco made the right call, but even here, things aren't entirely straightforward, given that Tucker claims his supervisors and others at the table were also making racially charged jokes but weren't disciplined.

The issues get murkier when the misbehavior falls in the gray area between public and private. A few months ago, I stumbled upon a viral video of one Patricia McAllister, a substitute teacher for the Los Angeles Unified School District who attended an Occupy LA rally. When asked by a Reason.tv reporter why she was at the protest, McAllister responded, "I think that the Zionist Jews who are running these big banks and our Federal Reserve, which is not run by the federal government—they need to be run out of this country." Later, she told a Fox reporter, "Jews have been run out of 109 countries throughout history, and we need to run them out of this one."

I watched these video clips and reacted like my younger cousin at dinner. OH. MY. GOD. Did she just go full-Sanchez on the Jews?

Because I work in human resources, I know the implications of McAllister's words. Within days, the school district fired her—and with good reason, too. What she said was awful and offensive. Nobody wants a bigot on the payroll, especially one entrusted with the education of children.

Eric Meyer, a partner with the labor and employment group Dilworth Paxson, agrees. "Bigotry—in any form—has no place at work," he says. "I would recommend firing any employee who makes bigoted comments at the workplace."

Except that McAllister didn't hate on the Jews at work. She made her comments outside of the office. That makes things a little trickier. Meyer

Joe Gerstandt, a diversity-and-inclusion speaker and facilitator, believes that the school district had a right to dismiss McAllister but wonders whether the incident will teach anyone worthwhile lessons. "What we really need is a follow-up conversation," he suggests. "We think that diversity and inclusion is simply a matter of whether you are a good person or a bad person, but it is far more complex than that. All we seem to be able to do consistently do is fire people who demonstrate that they are bad. This does not really get at the underlying stuff, which is not about good people or bad people but about understanding human nature and social dynamics."

I think about social dynamics consistently when race and ethnicity overlap with work. For every McAllister, there are four bazillion people who have the same opinion but keep quiet. Those are the people who would like to work in an environment with no drunken Irish people, no dirty Zionists, no flamers, and, of course, no urban folk. The difference is that they would never express their opinions openly. It's almost as if the new employment test is whether or not you can keep your mouth shut about hot-button issues and refrain from calling someone the N-word or a chola. And while we are quick to fire someone who is openly bigoted, we often tolerate those whom we suspect—but cannot prove—quietly believe in labels, stereotypes, and implicit associations. We all know those people. And sure, every once in a while, a company sends workers through a diversity-and-inclusion training course, but is the organization really making an effort—or simply checking off a box that says it is?

"The real work most organizations have to do is tough. It's not obvious," Gerstandt points out. "We still have disparity in retention rates, disparity in promotion rates, and disparity in pay. If development programs, especially diversity-and-inclusion workshops, were places where people could be honest and candid and vulnerable and courageous with each other, we might be able to make some real progress."

So the answer to managing a situation such as McAllister's—or an incident in which an employee acts on her blind spots—isn't so easy. Regardless of what the law says, or how clearly it says it, we know that other influences weigh in on our decisions to respond and correct behavior. When a substitute teacher says something bigoted that's posted on YouTube, the direction of an organization is pretty clear. You fire that person for being insensitive, moronic, and stupid enough to get caught on tape. When the behavior is subtler, HR struggles to offer an effective and nuanced solution because they are busy running payroll, managing the employee-review process, and calculating merit increases. There doesn't seem to be enough time, nor enough budgeted resources, to deal with the entangled world of race relations and biases that are part of the human condition and passed down from generation to generation.

Yes, firing someone like McAllister is simplistic and doesn't solve the larger problem of bigotry intersecting with the workplace, but it's an important step nonetheless that sends a clear message: We expect a baseline level of compliance and intelligence from people who are on our payroll. If only we could fire our family members and friends who say stupid things about women, minorities, and the disabled. Then we'd make real progress in this world. ■

> "Bigotry—in any form—has no place at work.

adds: "In some states, employers are forbidden from taking action against employees based on their off-duty lawful conduct; however, in states where no off-duty-conduct laws apply, I would recommend terminating McAllister for both her comments and the complete lack of discretion she displayed by voicing her hate speech publicly."

Although corporate boards and PR firms like to tell us otherwise, it's pretty easy to fire someone in most of America, thanks to at-will-employment laws. Still, I wonder what role employers should actually have in policing speech and creating an inclusive environment that extends beyond the walls of the office. Most of us believe in a zero-tolerance approach to bullying, hate speech, and cat posters in cubicles. But when an otherwise-effective employee violates those rules away from the workplace, our HR policies feel harder to enforce.

SIGHTINGS

A DIFFERENT DIVERSITY

EVERY MULTINATIONAL THAT ISSUES AN ANNUAL "WE'RE GOING GREEN" REPORT OFFERS LIP SERVICE TO PROTECTING GLOBAL BIODIVERSITY. But the pharmaceutical industry is genuinely worried about the future. Labs may be ever more sophisticated, but half of pharmaceutical compounds rely on ingredients derived from nature, and population, climate change, agricultural and industrial efforts, and a range of other intrusions are accelerating biodiversity loss around the world. As an increasing number of species go extinct, so does the potential for new medicines.

Drug manufacturers, research centers, and governments are responding by pushing for greater conservation of natural resources. Vietnamese lawmakers in particular, recognizing that their country is one of the world's most biodiverse areas—and therefore potentially one of the most profitable—have taken numerous steps in recent years to preserve vast swaths of land, at least partly so that scientists, such as the one pictured above at Hanoi's National Centre for Natural Sciences and Technology, can examine local flora and fauna for potential pharmaceutical use. The government aims to increase local drug production to meet almost three-quarters of the nation's drug needs by 2015, up from about half today—even though experts expect that Vietnamese drug consumption will increase by 70 percent by 2014.

Big Pharma's push for greater conservation doesn't get drug firms off the hook for past—or ongoing—environmental degradation. Pharmaceutical operations close to areas of high biodiversity can overexploit resources by polluting air, water, and land. Meanwhile, the millions of pills we pop each day, not to mention all the expired medicines that we flush, eventually make their way back to the environment, threatening water supplies and species on every link of the food chain. Stakeholders continue the struggle to balance competing concerns between the health of people, businesses, and the planet. —VADIM LIBERMAN