

ACCELERATION IS A PRIME CONCERN OF leaders and corporations globally. Juiced by technology innovations and punctuated with dramatic societal and geopolitical challenges, the speed at which the world is moving is increasing, bringing both the promise and the uncertainties of the future closer, more imminent.

To discuss the implications for enterprise, Neal Wolin, former US Deputy Treasurer under President Obama and now CEO of Brunswick Group, sat down for an interview with Partner Philip Delves Broughton, a former journalist and author, and now the firm's Head of Content. Their conversation touched on Ukraine, COVID, China and other elements of the fast-changing global landscape.

What has taken you by surprise over the last 12 months—and what did you see coming?

There were lots of things we didn't see coming. We didn't see the war in Ukraine, or certainly not the version of it that has actually happened. That, in turn, has caused real shifts in the basic plate tectonics of the world. We didn't see the attendant issues of food insecurity or the consolidation of transatlantic relations through NATO, on the one hand, and the more palpable sense of wariness, even antipathy, toward the United States on the part of countries such as India or the Gulf states, on the other. These geopolitical shifts were latent and they built up over quite a period. The war in Ukraine brought them to the fore.

However, there were things we did see coming, at least in their broad outlines. We knew that COVID would continue to be a big challenge globally, with unpredictable and unstable dimensions. We knew that there would be macroeconomic challenges in lots of places prompted by COVID, monetary policies, fiscal stimulus and supply chain difficulties. The buildup of inflation in the US and other important market economies was probably more than I expected, but it was unquestionably a challenge on the horizon.

As a firm, we anticipated that the world was going to become more complicated, and the set of issues confronting our clients—business issues, policy issues, geopolitical and social issues—was going to expand. We understood that we could add value to our clients' consideration of this wider set of topics. This helped us focus our attention on hiring people with broader experience, capability and know-how and organizing ourselves internally to be even better placed to bring our expertise on these issues to clients.

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When you think about our theme, "acceleration," in our work with clients, what comes to mind?

I think about acceleration in two dimensions. The first involves issues that simply move very quickly. Russia's invasion of Ukraine was one of those. Russia's actions prompted an astoundingly quick response on the part of governments and the private sector. It was unusual and notable.

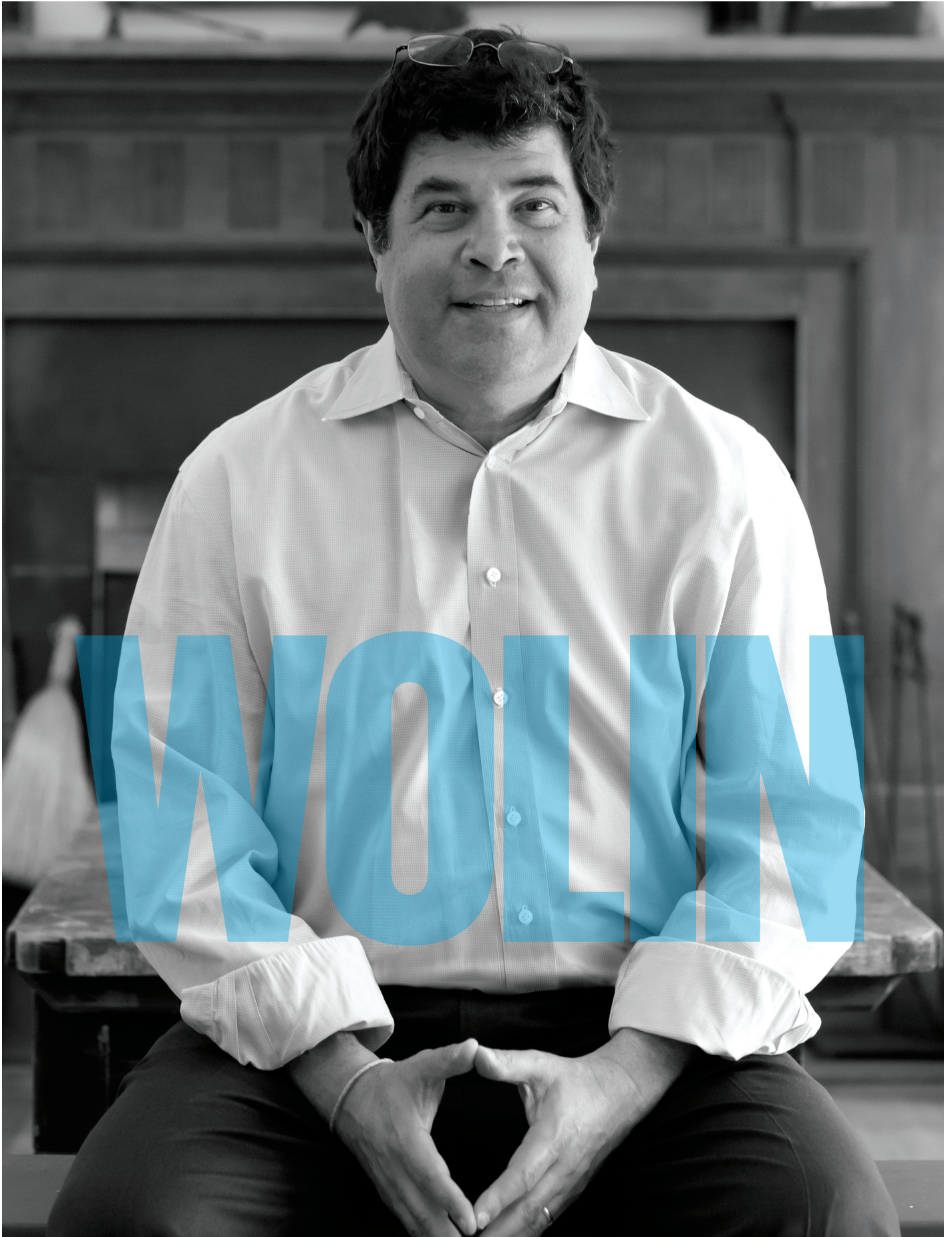
There are also aspects of COVID that demonstrated similar speed. The speed at which COVID spread; the speed with which people moved to different ways of living and working and engaging and interacting; the speed with which the variants have succeeded one another; and the speed with which countries, companies, families and individuals understood and adapted to the characteristics of successive variants.

The second dimension of acceleration is the way in which these issues aggregate. Individual issues may move faster and slower, but the challenge for leaders is how to think about them and their interaction effects, their weight and various implications, all at the same time. It's not just COVID—it's health issues and the future of work. It's also immigration and diversity, equity and inclusion and economic inequality and China and the war in Ukraine.

Then there are broad questions about cyber risk and the direction of the macroeconomy. You put that all together and it creates this second-order acceleration effect. These issues don't present themselves to our clients in any rational or orderly fashion. They come all at once.

As the economy becomes more challenging, will business leaders be forced to choose between which issues they can afford to confront, and which they can't?

I don't think business leaders will be in a position



WOLAN

PHOTOGRAPH: DALTON PORTELLA

to say, “Look, I’d just like to focus on this issue and, when I’m done working on it, I’ll get to these other ones.” Focusing on performance is critical, of course, but can’t come at the expense of focusing on other issues, too. The expectations that stakeholders have for companies to be responsible citizens on climate, economic inequality and diversity, for example, need to be factored into what companies do—how they and their leaders act and what they say—all the time.

This is part of the acceleration we’re seeing. You can’t slow things down. Leaders are expected to figure out a way to balance and juggle a set of things all at once—and the best leaders succeed in doing that.

At COP26, companies and countries made all kinds of pledges. Now with the cost of living soaring, and people facing real economic hardship, are those pledges viable?

On the one hand, you could say climate is a 2035 issue. But on the other hand, the world needs to make commitments now to get to where we need to be, both at the disaggregated and aggregate levels, within that timeframe. There are very real issues of household economics that weigh heavily on employees and voters. But climate is not a question of “nice to have.” It’s a global, existential imperative.

On the macroeconomic side, it’s a complicated picture. There is robust job growth and also very high levels of inflation. Different people are going to be affected by this in different ways. And, of course, there is still a lot of inequality and economic insecurity. Those are issues that will have real economic and political consequences for a long time to come.

Are we living through a historic moment of economic reckoning?

There is a profound set of issues around inequality that have been brewing for a long time. However, in terms of macroeconomics, I’m not inclined to think that this is a historic hinge moment. It’s true that in the US we are at inflation levels we haven’t seen in 40 plus years. But economies are cyclical, so we have an intermediate high on inflation and intermediate low on unemployment. Of course, a lot depends on the actions taken by governments and central banks.

I think this is a consequential moment as the world emerges from a pandemic for issues like the future of work, supply chain challenges and free trade.

How significant was the US-EU-NATO response to the invasion of Ukraine?

There is the sense that, at least for now, transatlantic ties were strengthened. That European countries

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came together and understood that a commitment to national security and their ties to the US are important.

This is all still quite fragile. There are differences already between the US and European governments about how aggressive they should be toward Russia. From a military perspective, Europe is still dependent on the US as far as the eye can see. Are the European members of NATO OK living with that, or do they want to create their own independent capacity? That’s obviously a question about a huge commitment of resources.

And then there are other issues highlighted by the invasion that expand beyond NATO and Europe. To what extent will other countries such as India, the GCC or other BRICs feel like they must choose sides between Russia and the US? Or can they continue to straddle that question?

Brunswick recently set up a China Hub to advise clients. Why now?

For virtually every one of our clients, China-related issues are increasingly important. The Chinese economy has slowed down but, depending on how one calculates it, it is the biggest or second biggest economy in the world. It is more entangled with the world, and more purposefully entangled, than it has ever been. In terms of China’s foreign policy and national security, it is expressing an ever-greater muscularity and extending its national strength more and more.

Our clients from China and the rest of the world must navigate a whole raft of complex issues, from direct foreign investment and supply chain questions to social issues like climate and accusations of forced labor. This will continue for the foreseeable future.

We launched the China Hub to bring together our expertise on China-related issues from across the firm. We’ve seen the benefits of organizing ourselves in this way to advise on climate issues, which also affect almost all of our clients. Just as we’ve added to our capabilities in cyber and geopolitics, among other things, we have brought in colleagues with deep China experience to build the China Hub and to help clients navigate such complex issues.

Have you noticed a deepening mistrust between the US and China?

In both directions, there is a real competitiveness and a set of grievances that is making things very complicated. In the United States, being tough on China has bipartisan support among politicians and

the corporate sector, which was not the case three or four or more years ago.

From the Chinese perspective, there is a sense that the US is trying to constrain a growing power rather than create a globally fair level of competition. From the US perspective, there is a sense that China doesn't play by the global rules that have prevailed for the last 75 years or so.

There is no doubt in my mind that there will continue to be a substantial amount of competition and wariness between the two countries. There will be a lot of friction on topics like Taiwan, cyber, human rights, basic ideas of governance, intellectual property. There will be competition around basic science, technology and research.

The question is, to what extent can the US and China find areas where they can cooperate? In areas like counter-terrorism, nuclear proliferation or climate, will both governments pursue opportunities to find common ground?

The difference between the Biden and Trump administrations' attitudes to China is not so much on substance, but more on style. The Biden administration is more diplomatic and less prone to sticking its finger in China's eye.

What can companies do in practice to develop these areas of cooperation?

Having more interaction at senior levels creates opportunities for finding common perspectives and mutual interests. But in the end, the US and Chinese have two very different political systems and two meaningfully different economic systems. This is why our China Hub convenes the firm's expertise both in and out of China—to help companies manage that divide.

What are you excited about for the coming year?

We have built a firm that is very capable of helping clients think through their most complicated issues and their full range of stakeholders. At a time when the world seems to be getting more complex, we can offer our clients a lot of expertise and insight.

For instance, I'm excited about building out our capabilities on geopolitical issues, which really came to the fore with the Russian war in Ukraine and which are at the center of attention for so many CEOs and corporate boards.

There is also an enormous opportunity to help our clients think about social issues and how they can succeed not just for their economic stakeholders, but also on behalf of their employees, communities and the broader public. How can they make

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and measure progress on the big topics facing the world—topics like inequality in all its various forms, the future of work, immigration, public health? There is so much more to be done here, partly because the public sector is not making enough progress in a lot of these areas.

There are opportunities for us in Asia, Europe, North America and the Global South. And across sectors, from healthcare and life sciences, to technology, and energy and resources as we move to a net zero global economy.

The lifting of COVID restrictions, at least in many parts of the world, is also exciting. The conversations and interactions we have with colleagues and clients are undoubtedly higher quality and more meaningful in person.

Seeing people formally and informally, just walking by someone in a hallway—it's special. For our firm, interacting with people internally and externally—engaging with our networks—will help unlock our ability to understand things better and drive our business forward in a very positive way.

Do CEOs and companies understand that they have to engage on this wide set of issues you've described?

More and more, our clients understand that their employees, customers, business partners and the markets are increasingly dialed into issues such as climate and inequality. They recognize the importance of defining what they stand for and having a long-term strategy that is consistent with how they view their role in the world.

That doesn't mean companies need to be heard on every issue. It means creating a framework that helps them decide whether, when and how to engage on an issue. There is a raft of things to consider before engaging and, increasingly, our clients recognize that doing the groundwork so that they are prepared for engagement is critical.

What advice would you give a new CEO about communicating about these topics?

CEOs need to be authentic. It starts with, what do you believe? What do you think is important? Then, what are you going to do about those things? How are you going to organize your business, and do things in the real world?

We help our clients understand issues in the world around them and to form a view on those issues, including on the actions they want to take based on that understanding. Communication is not the first step. It's the step after the substance. ♦