

# BRUNSWICK REVIEW

A JOURNAL OF COMMUNICATIONS AND CORPORATE RELATIONS ISSUE 23 2023



## The People Puzzle

Barista in Chief  
LAXMAN NARASIMHAN

Moody's CEO  
ROB FAUBER

Seeing China Clearly  
TAO WANG

Economist  
BARONESS DAMBISA MOYO

McKinsey CPO  
KATY GEORGE

Kontoor CEO  
SCOTT BAXTER

Verily's  
DR. AMY ABERNETHY

Love Letter from  
OSCAR MUNOZ

# BRUNSWICK

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Our purpose is to help our clients play their role in society more successfully. We're proud to do this for the leadership teams of many types of organizations—in all sectors and all geographies.

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# Sir Alan Parker

**THE EMPLOYEE “FACTOR” IS NOW ON BOARDROOM TABLES AND IN EXECUTIVE** thinking in a way it never has been before. Are we entering a whole new era that is rebalancing people power in business? Where, for example, employees can dictate when and how they come into work? Are employees now able to mold the values—and sometimes even the actions—of their employers? Do employees have a whole new type of leverage and voice?

At Brunswick, we are increasingly seeing the leadership teams of our clients taking the views and likely actions of their people as a primary factor in their decisions. This is evident particularly on major issues from wars to politics. Employees’ perspectives land on the desks of CEOs and leadership teams, not just HR departments.

Whatever business you are in, the war for talent is taking on a new tenor. As always, if your competitors have better people you have a problem. However remarkable your business operations are, the company that attracts the best people, and then retains and develops them, is the team to bet on. But today core elements of the employee-employer contract appear to be fundamentally changing.

In the last few years, all over the world, new challenges have been brought into questions of employee relations. For many business leaders, these new models are often confusing or even contradictory.

Since at Brunswick, we are lucky enough to work all over the world with companies in every sector, we thought we should devote this edition of the *Review* to sharing some of what we are seeing and learning about the underlying drivers of these new trends.

As a critical issues advisory firm, it has long been our belief that societal issues become business issues. This awareness could transform the role of business in our society—that, in turn, would create a new, much more complex context for business leaders to navigate.

We are seeing now how business is moving from being a purely financial exercise with one key stakeholder community in the capital markets to a less narrow view, where business and enterprise play a more central role in society. Businesses are required to create wealth in many different forms for a much more varied universe of stakeholders. Let’s be clear: It is not that the requirement for financial performance is less important; it is that other stakeholders and their issues are becoming more important. Employees, a stakeholder group with perspectives on the critical issues in the world, exemplify this shift powerfully.

COVID acted as a massive accelerant on social issues and appears to have inspired many to not only fundamentally rethink the role of business in society, but also the role of business in their own lives—to reexamine their relationships to work and to employers. The labor shortages from “The Great Resignation” are the clearest sign that this is not just a next-gen issue.

Leadership teams are dealing with more extremely difficult external issues: wars and geopolitics, supply chains, inflation and AI, to name a few. And their responses are being calibrated with, and accounting for, a whole new human dimension of employee perspectives. Humans are obviously tricky creatures—and all of a sudden everyone has voice.

Social media has given the billions of people on the planet connected to the internet a platform to speak up and be heard. And as



they do, what is clear everywhere is that many people identify not as employees first, but as citizens first, with a right to speak out on many issues.

At Brunswick, we do not believe we are going to see a return to the old working model of employee relations for many industries. Our core proposition is that this is not a temporary change but a profound one, and it presages a new type of contract or relationship with employees. As ever with such changes, the folk who can grasp the scale and nature of it are most likely to be those best able to formulate positive ways to adapt and use it.

In this edition there are some inspiring and thought-provoking pieces. The thinking and direct action of Laxman Narasimhan at Starbucks and Rob Fauber at Moody's give great insights into how they are walking toward these new challenges creatively and seeing opportunity in them. Katy George, with the powerhouse of data and insights that McKinsey has, is fascinating on the power of teamwork and purpose. Her insights are hugely informative and show that there is no simple playbook. One size certainly does not fit all.

Throughout this edition, how employees are looking for "purpose" emerges as a hot issue. But the significance of purpose in lifting performance is not a new thought; it has been a massive driver of human behavior forever. Surely military leaders throughout history have never doubted that a sense of purpose is something that motivates troops, something that people would sacrifice a lot for. Shakespeare's famous Saint Crispin's Day speech is, in essence, King Henry V reminding his soldiers of what they are fighting for. I have no doubt that if we could have heard the Springboks' Captain Siya Kolisi in the locker room before he led South Africa out to their fourth Rugby World Cup victory, we would have heard the same call to a shared cause. Leaders in all situations know that purpose motivates higher achievement.

In the context of business, there certainly seems to have been an over-indexation by some organizations in recent years on the importance of money in the overall motivation and rewards package—so much so that the rise of purpose feels like a new wave. Yet in many ways, it is simply the rediscovery of a reality that leaders in all situations have always known.

We are now awash with research that shows a sense of purpose as being a big driver of performance and motivation. A study by Betterup Labs showed that not only were workers more productive and yielded 9% more than their counterparts if they had a strong sense of purpose, interestingly, they were also prepared to sacrifice, on average, 21% of their lifetime earnings for a job that gave them such a sense of purpose. It is sometimes useful to see it quantified in this way.

Yet at Brunswick we might caution against making a push for purpose too transactional. Talking purpose can become reductive; taken to absurd levels it ends up as poor corporate speak—advertising slogans that do not connect with anyone. That is why we often find that a practical and authentic lens through which to work with clients on the question of defining purpose is to consider how they see their contribution to the world, or to a particular group

of stakeholders. It helps to answer the questions employees are increasingly asking their employers: "Who are you? What are you asking me to work for? What does that mean for me?"

Having a strong sense of purpose has become a major factor for businesses in recruiting and motivating their employees; it is also now a central component of a compelling Employee Value Proposition. Financial security has always been at the top of the Employer Value Proposition list but, in this uncertain world, promises of security are not gaining credibility. Personal development has certainly gone up the rankings and is seen both as a driver of advancement internally and also a way to become more marketable externally. The opportunity for reskilling is likely to also keep advancing as some areas of technology quicken the pace at which certain skills are becoming obsolete.

"When will people come fully back to work?" is a question we are hearing less of now. There is a greater acceptance that flexibility and remote working are increasingly standard. Risks to productivity are largely limited to particular types of work and sectors.

While flexibility has been taken up eagerly by many employees, increasingly there are also more recognizing the "discount effect" of being away from colleagues and an office environment for longer periods of time. It is becoming clearer that though levels of flexibility are highly valued by many employees, and that some work can be done very effectively at home without the stress and cost of commutes, performing those tasks is often only part of the job.

Very good recent research now indicates that spending 50%+ of your time in person with colleagues is hugely beneficial for both the individual and the organization. There is no doubt that the learning and professional development benefits of working a significant portion of your time with your colleagues are measurable. Most employers see a benefit in seeing people at work and the about-turn of a number of the bigger tech companies in asking for a return to the office has been rapid.

We describe Brunswick as a relationship business and those relationships begin with colleagues inside our firm. So, while technology provides plenty of remote-working benefits, we also recognize a lot of benefits from being together in person. It is much more difficult for young people or new joiners to build deeper, stronger relationships if they are only working on screens. In our experience, if you are going to do outstanding work, you have to genuinely care for the people you work with and work for. That is hard to achieve on Zoom or Teams.

I have been privileged to be around leadership teams and boardrooms for many years and one extraordinarily fast and profound change I see is around employee health: It was never on the boardroom agenda before, let alone employee well-being or mental health. COVID changed all that. Proper care for employees' welfare is now a given. It has all happened fast and naturally, but it is difficult to overstate how far from that we were just a few years ago.

We are seeing our clients each looking at and watching what others are doing and adapting these different elements of their Employee Value Proposition. But, in aggregate, something much





THIS IS  
NOT A  
TEMPORARY  
CHANGE  
BUT A  
PROFOUND  
ONE.

bigger is taking place. We see a fundamental rebalancing of the age-old scales comparing labor and capital. For decades we have seen capital achieve significant, even spectacular returns. On the other hand, there have been very poor returns in real wages in the US, Europe and the UK.

The expression “essential workers” that we began to use during COVID gave a new social status to many people with low-wage jobs who are now asking for their contribution to be reevaluated. This has certainly contributed to the recent strikes and labor disputes all over the world.

Meanwhile, the science fiction of artificial intelligence has become a clear reality and the impact on jobs, employees and society as a whole is a subject many great minds are grappling with. As a result, one thing we know for sure is that we will all have to engage more effectively with more of the people in our organizations.

In fact, to deal with whatever changes may come, one essential element for success will be building a stronger, more resilient culture. For culture to flourish it has to come from the top and we are seeing significantly more demand for more effective and engaging leadership programs. Whatever the elements and mix of Employee Value Propositions are evolving toward, the importance of direct engagement by leadership is only increasing.

At Brunswick we often say that it is not what you say that matters most, it is what you do. The action you take is what defines us more than any words. Employees are looking to understand who their leaders are by what they stand for and have a much greater expectation that leadership should define the values of the

organization by actions, not just policies or messages. Great leadership now means that you have to see the issues as your key stakeholders see them, and be able to talk about those issues as they do. Those abilities have never been more important for a leader looking to make wise decisions—and employees have never been a more important or influential stakeholder group.

Historically, most companies have poured resources and innovation into understanding and creating deeper relationships with their customers. Those efforts have delivered huge commercial benefits. It may be that the same level of creativity and imagination now needs to be directed toward reinventing our relationships with our employees.

At Brunswick, we are lucky enough to work with some outstanding examples of leadership using just that sort of imagination and innovation to deliver great results. It would be a shame to ignore all that potential and to settle for the old market model—even if we were able to. There is clearly an opportunity to put a lot more innovation to work to power up these internal communities and deliver much higher performance, with greater rewards than ever. Could it be the answer to finally moving the decades long problem of declining productivity in the OECD?

As ever, I would love to hear back from anyone interested, as this is just one of the great critical issues we tussle with to try and bring the best available support to our clients. I hope you enjoy reading this *Brunswick Review*. ♦

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**SIR ALAN PARKER** Chairman, Brunswick Group



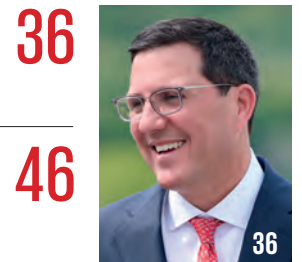
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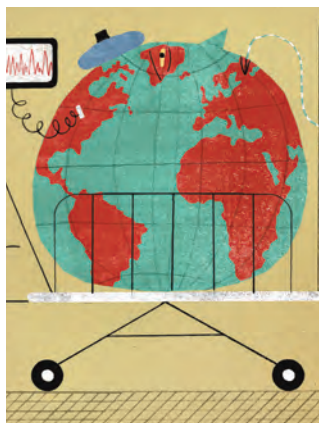
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"I was struck by how much our partners care about our customers, by how passionate they are about coffee, by how much they know about coffee."

**Laxman Narasimhan P. 50**

"My lesson is simple: Listen first, learn ... and only then can you lead."

**Oscar Munoz P. 16**

"There are three significant opportunities to drive change: ensuring the well-being of all people across our value chain; using less water to make our products; and decreasing our carbon emissions."

**Scott Baxter P. 26**

"Half the people I spend time with think happy days are here again and the other half are much more concerned in terms of the global outlook."

**Dambisa Moyo P. 22**

"The role of a CEO has been transformed."

**Julie Iskow P. 64**

"You need to be an ally to the source of non-inclusive behavior. Someday soon that will be you."

**Kenji Yoshino P. 55**

"Among the pandemic's many lessons was that you lead everything with concern for your employees."

**Rob Fauber P. 36**

"When things are thrown up in the air, we have the opportunity to shape how they come down again."

**Katy George P. 46**

"That feels to me like a very hard conversation we need to have and a deeply urgent one."

**Genevieve Bell P. 100**

"The agricultural reform did not come from Deng Xiaoping or the World Bank. It came from a bunch of starved farmers in a village in Anhui."

**Tao Wang P. 110**

"Maybe space technology is India's best-kept secret."

**Pawan Chandana P. 68**

"That's the narrative that industrials have to lean into. If you join us, you will be part of a team making products that will change the world. ... The story has to be about impact and community, and it has to pulsate with excitement."

**Suzy Welch P. 80**

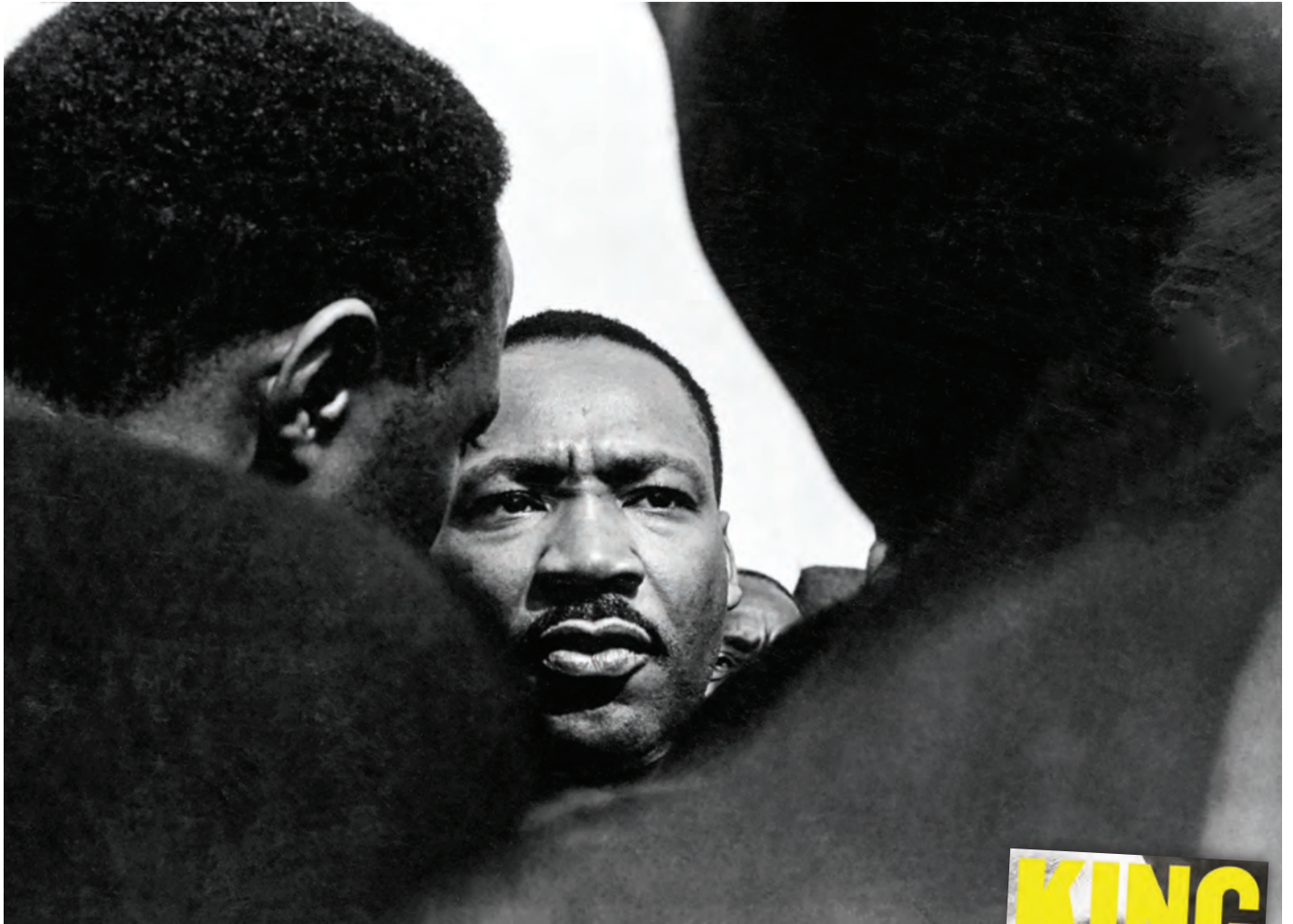


## Problem Solving



# SPOTLIGHT

Observations, insights & analysis from around the world on a medley of topics.



PHOTOGRAPH: BETTMANN/CONTRIBUTOR

**D**URING HIS 13 YEARS AS A civil rights leader, Dr. Martin Luther King Jr. endured multiple hospital stays for what he called exhaustion; others near him called it depression. In the months before he was assassinated at age 39 in April of 1968, his distress was particularly acute. In addition to his usual foe—white supremacy in general and FBI Director Herbert Hoover in particular—King was under attack from fellow civil rights leaders frustrated with the limited success of his nonviolent approach to protesting for equal rights. Moreover, he had irritated an important ally—President

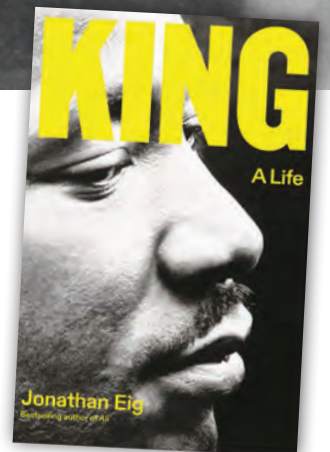
## MLK, Behind the Legend

**In exposing his flaws, a new biography underscores his greatness.**

Lyndon B. Johnson—by speaking out against the Vietnam War, an act that also irked many of King's supporters in the media. A *New York Review of Books* article in 1967 dismissed King as no longer relevant. "Newspaper editorials questioned not only his patriotism

but even his commitment to civil rights," writes Jonathan Eig in his new biography, *King: A Life*.

If MLK died under attack from former allies, and full of doubt about his own usefulness, *King* delivers a kind of justice. A finalist for the National Book Award, *King* is the story of a Christian minister determined to bring a peaceful end to centuries of racist violence and oppression. Emerging in 1955 as a leader of the Montgomery bus strike started by Rosa Parks, King in the years that followed endured beatings, a knifing and about 30 arrests and imprisonments, not to mention a maniacal



level of harassment and spying by Hoover. The first King biography since the '80s, *King* rests upon a wealth of previously unpublished government documents, letters and oral histories, many from



sources Eig met when researching his previous bestselling biography of Muhammad Ali. On the cover of its Sunday book review, *The New York Times* called the King biography “supple, penetrating, heartstring-pulling and compulsively readable.”

Unlike the popular image of King as the protesting poet who voiced one of the most powerful speeches in history—“I have a dream!”—Eig depicts a fully human MLK. In the book’s index, under “extramarital affairs,” 30 pages are listed. Knowledge about many such affairs came from the FBI, which used the information to try extorting King to drop his protests. He wouldn’t, any more than he would remain silent about

**“He used peaceful protest as a lever to force those in power to give up many of the privileges they’d hoarded.”**

what he perceived as the injustice of the Vietnam War. When his interests collided with his values, his values prevailed.

“We’ve mistaken King’s non-violence for passivity,” Eig writes. “We’ve forgotten that his approach was more aggressive than anything the country had seen—that he used peaceful protest as a lever to force those in power to give up many of the privileges they’d hoarded. We’ve failed to recall that King was one of the most brutally divisive figures in American history—attacked not only by segregationists in the South but also by his own government, by more militant Black activists, and by white northern liberals. He was deliberately mischaracterized in his lifetime, and he remains so today.”

Universal Pictures has bought the rights to make *King* a movie, with Steven Spielberg as executive producer and Chris Rock as director. ♦

**Kevin Helliker** is a Partner and Editor in Chief of the Brunswick Review.

## Conspiracy of Cartographers?

**Great Britain, England, the UK ... JONATHAN FAULL looks at the varying definitions of his country.**

**F**ACING THE COMPLEXITIES OF Brexit and devolved COVID-19 rules, friends often ask about the UK’s constitutional arrangements. Those still awake after five minutes go on to ask about England. How does it work? Who represents it? Not easy questions, even for the greatest Englishmen.

Shakespeare’s John of Gaunt inaccurately describes England as an island: It is part of an island shared with Scotland and Wales, today known as Great Britain. Tom Stoppard, in his Shakespearean farce *Rosencrantz and Guildenstern Are Dead*, wonders whether England is “a conspiracy of cartographers.” Well, it is certainly a real country, although the names get mixed up.

George Orwell remarked that “we call our islands by no less than six different names, England, Britain, Great Britain, the British Isles, the United Kingdom and, in very

exalted moments, Albion.” We can add the “British Islands,” defined in law as the UK, the Channel Islands and the Isle of Man.

Reference to “our islands” is controversial because it leads to consideration of the island of Ireland, which is divided between two sovereign states, Ireland itself and the United Kingdom, of which Northern Ireland is a part.

Sporting heroes are confused too: famous cricketer Lord (Ian) Botham said in 2016: “Personally, I think England is an island and we should remember that and be very proud.” His charity walks travel from Land’s End in England to John O’Groats in Scotland. He crosses no sea on the way.

Governance of the UK is complicated. Scotland has a devolved Parliament and Government; so does Wales, albeit with fewer powers. Northern Ireland has its own complicated system of self-government. England and Wales (together), Scotland and Northern Ireland are all distinct legal jurisdictions. England itself has neither a Parliament nor a government.

The Court of Appeal (of England and Wales) has held recently that, despite the dictionary and statutory definitions, the phrase “the United Kingdom” as used in a private instrument is capable of including the Channel Islands. The Interpretation Act 1978 meanwhile clearly defines it as “Great Britain and Northern Ireland.” The court’s ruling means that “the United Kingdom” is not immutable and can mean something different in private instruments—another nuance of the complex constitutional arrangements of these islands.

Foreigners are often full of admiration for less formalized British arrangements, but also somewhat bewildered. Britons themselves sometimes seem confused. It would help British self-understanding and communication with the rest of the world if these matters were debated, taught and expressed carefully within the UK and abroad.

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**Jonathan Faull** is Brunswick Chair, European Public Affairs and former Director General at the European Commission.



MAP: CHRONICLE/ALAMY STOCK PHOTO



# Argument for Silence

Smart negotiators and leaders often say little, in favor of listening, says **DAN LYONS**, author of *The Power of Keeping Your Mouth Shut*. He talks to Brunswick's KAVI REDDY.

**D**AN LYONS HAS WRITTEN extensively about startup culture and Silicon Valley in his books, as well as for *The New Yorker*, *The New York Times*, *Fortune*, *Vanity Fair* and *Wired*. He has written for HBO's *Silicon Valley* series and was the creator of the Fake Steve Jobs blog.

Recently, Brunswick Partner and Co-General Counsel Kavi Reddy spoke with him about his new book, *STFU: The Power of Keeping Your Mouth Shut in an Endlessly Noisy World*. Lyon's experience of realizing that he was a "talkaholic" led him to examine how talking less and listening more can help us all.

**Your book says communicating too much is dangerous, and talking less is a powerful way to get more of what you want.**

When you talk less, you listen more. The big idea of shutting up is then to use that space to listen. Really listen. At one level, you avoid catastrophes and calamities, but you can also be a lot more successful. You can get more, negotiate better. In addition to helping yourself, what you can really do is improve the lives of those around you.

**Leaders being quiet is good for their team?**

At every level of leadership, the job is really to bring out the best in the people who work for you, or even around you. Your role is to help people unlock their potential and do great things and grow.

**It seems that what is valued now is putting every thought out there with no filter.**

There are 2 million podcasts, 48 million episodes and half of

these have just 26 downloads to them. We've created this culture where we believe that success is measured by your ability to attract attention—have 1 million Twitter followers, have a big podcast. We have so much content and stuff flying at us, and it is really taking a toll on our psyches.

Angry content gets more reaction and the system is gamified to reward follower count, likes, comments. So people want that rush again and they start realizing that the meaner and angrier they are, the more successful they are in that platform. You are being trained to overtalk.

Powerful people tend to talk less. As great a leader and speaker as President Obama is, he is an even better listener. He's said that when he was a community organizer, at first he would say, "I'm going to help," but listening was really the key. Angela Merkel is said to be a great listener, brilliant, but her speeches are terrible and it's almost on purpose. She kind of wants to put people to sleep.

When you're not out there publicly yammering, you can be listening, gathering information and deploying it really selectively. Silence is a way of both gaining power and wielding it.

**You say women are unfairly pegged as being overtalkers.**

Women are interrupted much

more frequently than men. Next time you're in a meeting, just sit and watch. Once you see it, you can't unsee it.

**Have COVID and Zoom made it easier or harder to use silence at work?**

Especially on group Zooms, one can just hit the mute button, and if you do want to say something, you have to actively do it. The raise hand function is great. There is a pause between someone calling on you and you speaking and it forces you to think about what you are going to say.

**Can shutting up serve as a tool to create a more inclusive workspace?**

Look at the future of work. Right now, the greatest and most pressing question for a lot of CEOs is, "Should we get everybody back into the office? How do we do

that?" Remember that communication doesn't mean talking; it means listening. It's not, "I'm going to sit here and go back and forth and tell you how to fix this." It's deeper. You have to have that conversation and really listen, build that trust and then build alignment. And only then, together, say, "OK, how do we figure out the future of work?"

In the book, I talk about Bill Marriott, who ran the hotel company his father created. He says something to the effect of "I didn't always decide in the way they wanted me to, but I felt that if I listened and they felt respected and heard, then they would buy into the decision."

You want to get the most productive, effective, happy and engaged company you can. The way to get that is quietly, by listening and creating space.

**It seems simple. Why is it so hard?**

We know we have to have difficult conversations, but we don't ever tell people how. We don't teach people how to listen. We do "show and tell" when you're a kid. What we don't do at the end of it is ask "OK, all of you write down, what do you remember? What did so-and-so say?" We don't teach how to really pay attention and listen.

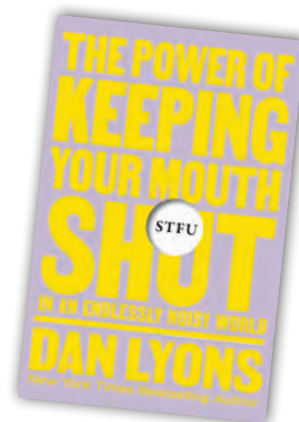
People think it seems weak to just not have anything to say. They feel like it is incumbent on them to have all the answers. It is hard for people to have a conversation and not talk but listen.

There are many times in life where you should speak up. But when you do, do so intentionally. Know what you want to say, and what you want to get. But there are also many situations where you should say nothing. In a way, silence is also a form of communication. You are conveying something with silence.

**Finally, how can we practice STFU?**

Just listen. Remain present and connected, but quiet and listening. Listening is a superpower. ♦

*Kavi Reddy is Brunswick's Co-General Counsel, based in New York.*



**"A** ROTTEN SEWER OF OPINION which is absolutely essential to everyday life." That's how one British Member of Parliament recently described social media.

In 2022, in support of a master's degree in digital marketing, I surveyed British MPs' use of social media. I spoke to eight experts including members of Parliament, special advisors, former digital strategy heads of political parties and political journalists. Here's what I found.

### 1. X is for party politics, Facebook for constituency.

X (formerly Twitter) was the outlet of choice for politicians and political journalists. At time of writing, according to Politics Social, 590 British MPs were active—over 90%—with nearly 1,000 tweets from MPs in the previous 24 hours. X garnered the most attention from fellow MPs

and journalists, and tweets were shown to directly influence the news agenda, often substituting for press releases. For constituency engagement, however, Facebook and Instagram were used far more, with one politician saying nearly all of their casework requests now come in through social media. These accounts were typically run by an MP's team, while X was run by MPs themselves.

### 2. The abuse of politicians online is a downside.

Every single interviewee brought up—unprompted—online abuse, and they were particularly aware of women and ethnic minorities as targets. One MP said we're likely to see more MPs leaving politics after a short period of time as "it's not worth it." Ahead of the 2019 General Election, several female MPs stood down

citing the abuse they'd received. As a trend, this could leave Britain without diverse representation.

### 3. Social media could cost you an election.

A striking quote from a former party head of digital said that "social media can lose elections for you. It very rarely wins [them]." They spoke of comments being made that can later cause political harm—or old posts coming back to haunt an MP.

Yet there was little choice but to participate in social media.

## Social Media & the British MP

UK lawmakers fear it, need it and know how to use it, research finds.  
By **BÉNÉDICTE EARL**.

One MP compared it to having a phone number or email. Findings also suggest that social media was effective for success within a party. An MP said a tweet would make it more likely for other MPs to see and potentially help you.

### 4. Some MPs are addicted to social media.

MPs talked of becoming obsessed with social media. One MP spoke of seeing fellow MPs replying late at night and had to speak to them to suggest they learn to put their phones down. They look to X as an example of how their messaging is landing. An advisor put it that many politicians "live in fear" of X. One anecdote related an MP on X while the MP was running a Select Committee, to see how his performance on the committee was being received in real time.

### 5. Not a level playing field.

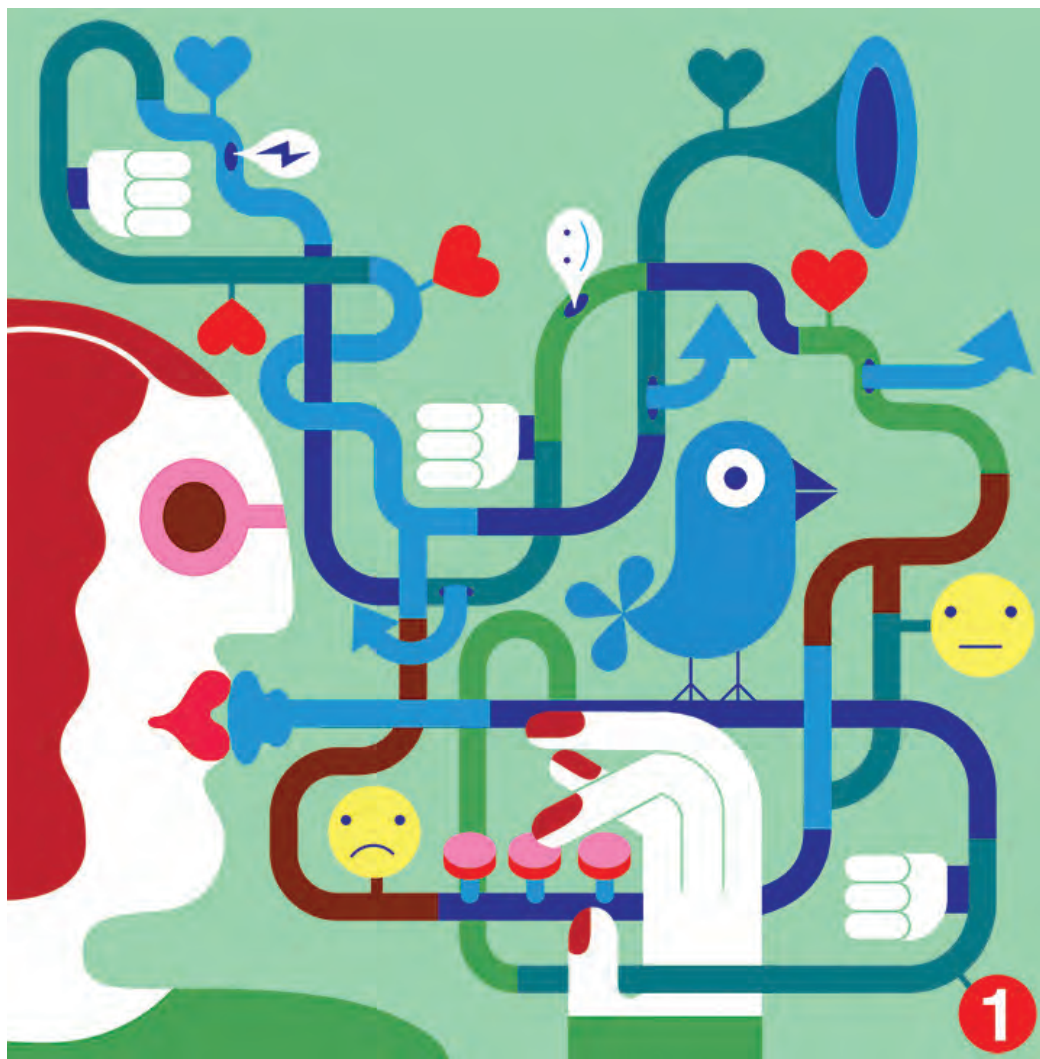
While cabinet members will have large teams and budgets, most MPs must combine the roles of caseworker and content creator. This has led to hiring changes: curating and creating content are now core skills and integral parts of any role.

### 6. Social media is changing MP behavior.

The fundamental finding from my research was that social media has led to a change in MP behavior. All MPs interviewed spoke of how online expectations are influencing offline behavior. One MP noted that younger, more tech-savvy colleagues tended to stand in one of a few places in the chamber for a cleaner photo or video, to be used on social channels. Another noted that MPs were beginning to speak in soundbites because they were more likely to go viral. As one MP put it, "One of the primary reasons now that I make a speech is to get the video."

On why MPs use social media, one quote stuck with me: "It enables you to talk directly without editorial interference or third-party opinion. It's your own words in your own voice translated to the audience that you're speaking to."♦

*Bénédicte Earl is a Director in Brunswick's London office*





# What do the Pope, Bill Gates, Oprah, Elon Musk, LeBron James & Tim Cook Have in Common?

REPUBLICANS AND DEMOCRATS in Congress can agree, it appears, on something: whom to follow on X (formerly Twitter). Across party lines, six leaders and celebrities emerged as some of the most-followed:

1. The Pope	20%
2. Bill Gates	17
3. Oprah	13
4. Elon Musk	12
5. LeBron James	6
6. Tim Cook	4

X is a rich place to study the US Congress. More than 98% of its members are active on the platform. Every day these members collectively tweet hundreds—sometimes thousands—of messages.

Brunswick Insight analyzes those tweets to glean real-time insights about conversations, and to see and study broader trends—ones that can be obscured by the disproportionate focus that the loudest voices attract.

Through this lens, we can provide data-driven answers to questions like: What's on Congress's mind? Have members publicly taken a position on an issue—and if so, how many, and who might still be undecided? What reactions have taken place to a specific issue, event or company—and how do those reactions trend over time? Does the media's coverage of Congress give a fair picture of what its members are talking about?

We analyzed Congressional tweets across a variety of healthcare-related issues, for example, to understand the topics driving Congressional conversations across party lines.

The topics eliciting the most tweets: Medicare, mental health, healthcare costs and drug pricing.



Some of those tweets were run-of-the-mill talking points. Yet there were also nuanced discussions of pieces of legislation, and how those pieces fit into

Congress's agenda—useful for some of our healthcare clients to know.

We've analyzed how Congress was tweeting about content

moderation, big tech regulation, social media, ESG, COVID-19, China, infrastructure, cybersecurity, banking—along with many, many other issues, keywords or brand names.

We analyze not only what Congress is saying, but also the accounts that are making it into their feeds.

It's not news that Republicans follow Fox News, or that Democrats read *The Washington Post*, but knowing the full list of those outlets and organizations—and how they vary for certain members—can help increase the chances of your argument or story actually reaching the people you want.

There are, of course, shortcomings to any research that relies on social media—X, as we've been reminded many times, isn't representative of the wider world. But given that practically every member of Congress (or a staffer) is both on X and active on the platform, it is a fair representation of this influential group.

For clients, this type of analysis can extend to any group, not just Congressional members. How are conversations evolving among their peer companies, for instance, or within a specific sector? How are Fortune 500 CEOs talking about their businesses? Who are the "ESG influencers" driving the conversation? What about AI?

Threads, Meta's social media platform that allows users to share text and photos, can't be studied in the same way yet, and its senior leaders have said the platform isn't for news and politics. Still, it might become another platform where politicians look to get their message out—and another place where analysis can help sift through the ever-present noise to find the all-elusive signal. ♦

*Zayd Mabruk is an Associate with Brunswick Insight in Dallas.*

## Most-followed NEWS SOURCES

### REPUBLICANS

1. Fox News
2. The Hill
3. Politico
4. CSPAN
5. The Wall Street Journal

### DEMOCRATS

1. The Washington Post
2. The New York Times
3. Politico
4. CSPAN
5. The Associated Press

## Most-followed THINK TANKS, ASSOCIATIONS & FEDERATIONS

### REPUBLICANS

1. The Heritage Foundation
2. Family Research Council
3. CATO Institute
4. National Association of Manufacturers
5. Business Roundtable

### DEMOCRATS

1. The ACLU
2. Brookings Institution
3. National Head Start Assoc.
4. Economic Policy Institute
5. American Federation of Government Employees



**I**N JULY 2021, ON SOMETHING OF A whim, I signed up for an 82-mile bike race, my first ever. It was also nearly twice as far as I'd ridden before. Seven months later, the robust training plan I'd envisioned hadn't exactly materialized. The lingering pandemic, coupled with a Washington, DC winter, weren't too motivating. To maximize the three months I had left to train, I bought a wearable fitness tracker.

Their benefits are clear: People who use fitness trackers walk, on average, 40 more minutes per day than people who don't. Records in endurance sports keep falling for many reasons, but surely one is the level of sophistication with which athletes now track their training.

But as anyone who's considered buying a device knows, figuring out which one to buy can feel overwhelming. There's Amazfit and Fitbit, Whoop and Wahoo, Garmin and Polar, Coros and Suunto and Oura—and, of course, Apple, which in 2020, sold more watches than the entire Swiss watch industry. Accompanying these devices are apps that allow you to explore your health data in tremendous detail—and some even offer personalized training recommendations.

What ultimately sold me on the one I bought was that I saw a lot of professional cyclists and endurance athletes wearing them. If it worked for those superhumans, I figured it could work for me.

And it did—well, sort of.

I loved analyzing the numbers and tracking my progress. Training can be a constant game of second-guessing: Should I be going harder (or slower)? Am I doing enough (or too much, or too little)? The data, and the data-driven recommendations I got from the app, helped me train with confidence—and, very often, with restraint.

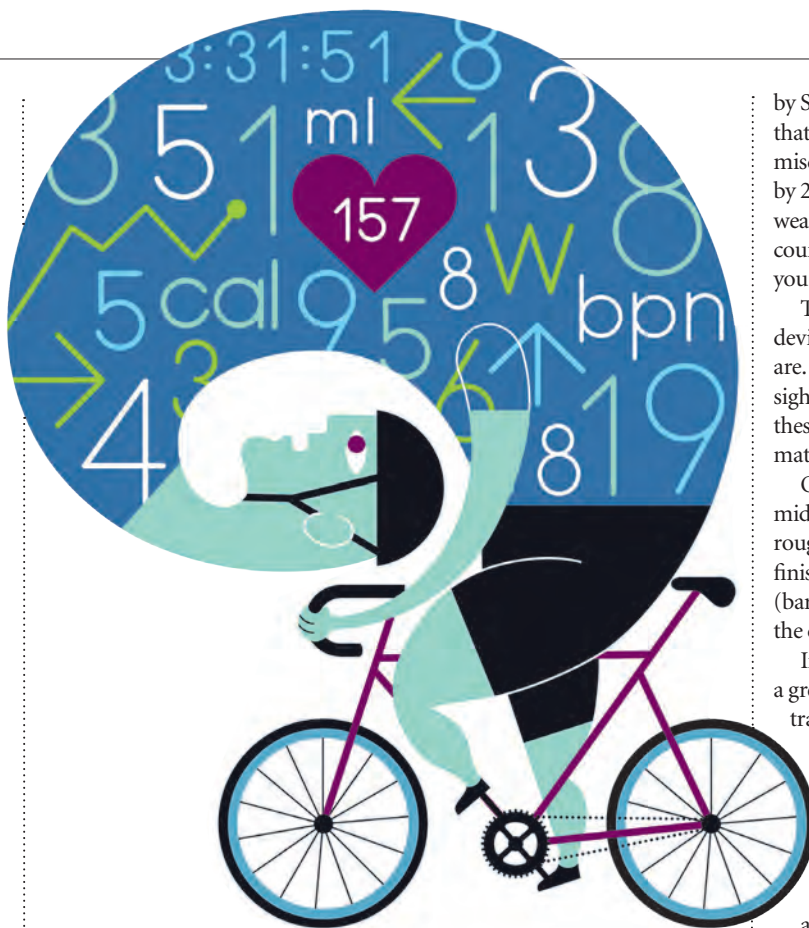
A former Division-1 college swimmer about 15 years past my prime, I knew I couldn't push myself like I once did. I felt confident that I was training at, but not beyond, my limits. And it helped me feel like my body was deciding the training, not my excuses.

But the more time I spent with

those numbers, the more I became aware of their limitations.

There's the "nocebo effect," where the constant focus on your health data actually worsens your health—people who wake up feeling fine, for instance, report feeling tired after finding out they registered a low "sleep score." In 2022, *The New York Times* published an opinion piece where the writer, a 2:53 marathoner, confessed: "The more I used my watch to monitor my stress, the higher my stress levels rose."

I was constantly monitoring my app. At first, all the data was encouraging and enlightening. Gradually, it ceased being either. A new question hovered over most everything I did: "How is this going to impact my performance?" Cycling, once an escape, became homework. Gone was the simple joy of spinning along the road on a nice spring day. That the phrase "data junkie" even exists suggests an awareness of how addictive and unhealthy our relationship with numbers can become.



## Will DATA Help You Finish a Race?

**Yes—but maybe not.  
It's complicated.  
SCOTT FOSTER reports.**

The data also made me prone to self-flagellation. If I met up with friends for a few drinks or had a beer at dinner with my wife, the app would indicate an exceptionally poor recovery and recommend a light workout the next day, regardless of how I felt. Rather than looking at the overall picture of the progress I was making, I would beat myself up for making a "bad" decision the night before—one I'd be reminded of every time I opened the app.

Data's power is closely tied to its quality. A growing body of research suggests that wearables are broadly accurate but far from exact. Tracking your heart rate through a sensor on your wrist, for instance, is less accurate than tracking it with a sensor strapped to your chest—and algorithms use your heart rate to calculate how well rested you are and how hard you worked. A 2017 study

by Stanford University found that the most accurate tracker miscalculated calorie expenditure by 27%. Other studies have found wearables aren't always precise at counting steps or measuring when you fall asleep.

The point isn't that these devices aren't useful—they clearly are. It's that it can be easy to lose sight of the fact that the numbers these devices produce are approximate rather than precise.

On race day, I finished in the middle of the pack, 215th out of roughly 500. I was glad to have finished, glad my legs held up (barely) and glad to have enjoyed the day itself.

In one sense, the wearable was a great investment. It helped me train for the race and finish it.

And along the way, it helped me make healthier decisions. I didn't need a device to tell me to limit late nights, unhealthy food and alcohol, but its data convinced me to actually adjust my relationships with those behaviors.

And yet, in another sense, was it a great investment to spend money to turn something I loved into something I started to dread?

Data can be magical when we're clear on what we want to measure and why. Yet that "why" question is one we seldom ask with our smartwatches or wearables, perhaps because the answer appears so obvious: I want to be faster, fitter, healthier, whatever.

But at what price? Something is gained with the watch and the data, but something—perhaps even more valuable—can be lost. The great explorer and naturalist Alexander von Humboldt once observed that: "What speaks to the soul escapes our measurements."

I stopped monitoring my app daily in the spring of 2023 as the weather improved, the days grew longer and I was able to ride outside again. I glance at it every once in a while after a hard ride, but nowadays, far more important than maximizing my performance is enjoying the sheer delight of every ride. ♦

*Scott Foster is a former Associate with Brunswick Insight, the firm's data and analysis team.*



## Kevin Helliker, Editor in Chief

ONE AFTERNOON, A GLASS WAS to be raised for me in the Chicago newsroom of *The Wall Street Journal*. At the ready sat a case of cold champagne, but no alternative. A longstanding teetotaler, I was resigned to tapping a mug of tap water against the bubbly flutes of those honoring me—until there arrived a delivery of cheery green bottles. *Non-alcoholic beer!* Back then it was a new thing.

The sender of those bottles was Nik Deogun, then a top WSJ editor, now Brunswick CEO of the Americas. I have no idea how Nik knew back then that I didn't drink. But the thoughtfulness of his gesture stuck with me, and it came back to me again as I read his interview in these pages with Laxman Narasimhan, the CEO of Starbucks. To know Nik is to appreciate the brilliance of Narasimhan's strategy at Starbucks (p. 50). As a currency, human connection is wildly underestimated, and it can be made in a second.

Katy George can't imagine a better moment to serve as McKinsey's Chief People Officer. "I feel really privileged to be in the talent space during this once-in-a-multi-generational kind of disruption in talent models," she tells us. (On page 46, George reveals what

percentage of in-office attendance works best.)

In discussing risk, Moody's CEO Rob Fauber suggests that one way to improve outcomes is to prioritize employee welfare, a lesson the pandemic drove home. "The first and most important thing is the health and safety of all of our employees. You say that for a year and a half and it leads to decisions that truly are guided by that principle" (p. 36).

Our coverage of industrials includes interviews with Suzy Welch (p. 80), the head of the Port of LA (p. 105) and Daniel Yergin, "oil's oracle" (p. 76). Our health section includes

an interview with Dr. Amy Abernethy, Chief Medical Officer of Alphabet's Verily (p. 86), and a Stanford Medicine examination of the health impacts of climate change (p. 94).

On economics, Brunswick speaks with two economists, Dambisa Moyo on the state of the world (p. 22), and Tao Wang on China (p. 110). A Saudi native cites example after example of recent progress there toward gender equality (p. 98). And on page 16, a flight attendant union leader credits former United Airlines CEO Oscar Munoz with saving the airline. There's hope in that. ♦

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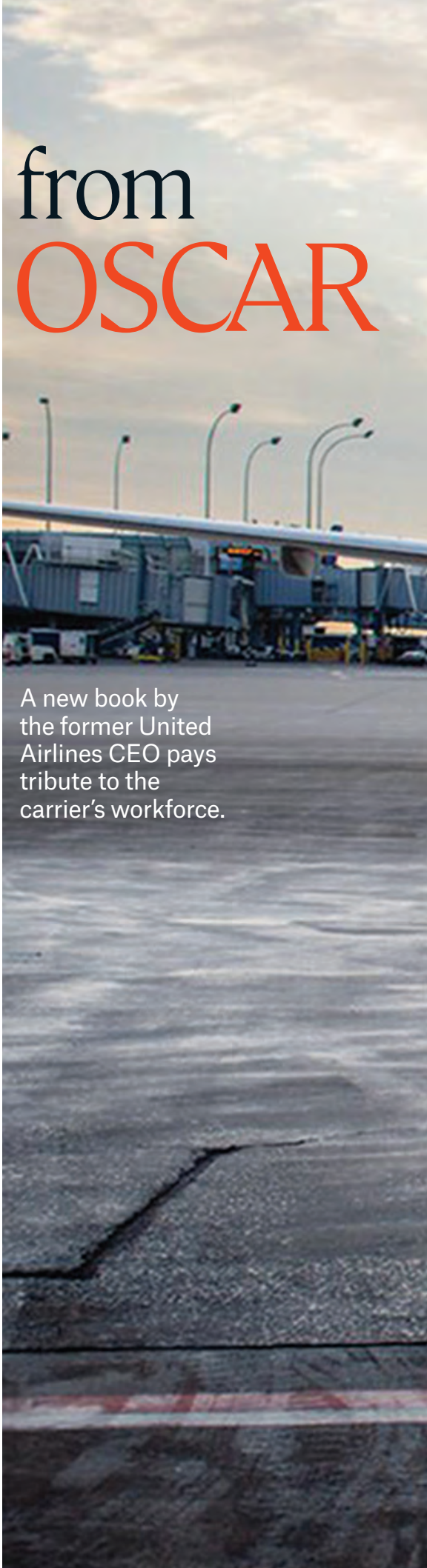


# Love Letter from OSCAR

**THREE YEARS AFTER STEPPING DOWN AS** CEO of United Airlines, Oscar Munoz has published *Turnaround Time*, a chronicle of his five-year leadership of the company. No disrespect to the many other executives who have written leadership books, but this CEO memoir stands apart, a fact that is clear even without opening the book. Its cover bears a quote—a positive quote—from a union leader. “Oscar Munoz saved United Airlines,” says Sara Nelson, international president of the Association of Flight Attendants.

It is tempting here to plug the memoir on grounds that it is dramatic, recounting as it does the turnaround of one of America’s largest airlines and most iconic brands. But notwithstanding Nelson’s praise, Munoz insists that while he authored the book, the turnaround of United was written by its workforce. His 240-page book, he says, is “the longest love letter to aviation employees ever, the longest love letter in the history of business.”

His turn as United CEO shows that surprising—indeed, historic—turns can come at every stage of one’s career. Over the decades, Munoz held senior executive positions at telecoms Qwest and AT&T, consumer brands Coca-Cola and PepsiCo, and freight transporter CSX. Among other directorships, he took a seat on the board of United. A decade into that role, amid a management crisis at United, Munoz was suddenly asked to serve as CEO. The rest is chronicled in *Turnaround Time*. Munoz discussed his book and career with Brunswick Senior Partner Jayne Rosefield, Founder and Head of the firm’s Chicago office, and Head of its Global Consumer Industries practice.



A new book by the former United Airlines CEO pays tribute to the carrier’s workforce.



# MUNOZ



**What inspired you to write the book?**

I had always waved off the idea of writing a book; it didn't seem like "me." But when I was flying during the last few months of 2021, with travel returning from the pandemic, just before I retired as executive chair of the board, I found myself sitting next to a passenger who leaned in and said to me, "Oscar! Isn't it great to be back, flying again?" An innocent comment. But I felt the urgent need to remind him, "Well, you and I are only back in the skies because the United family never left them."

When the world went home for lockdown, our people were marching in the other direction.

They kept us flying. I know because I was on those flights, ones where crew members outnumbered passengers. We are infinitely thankful for the support of taxpayers who stood behind the aviation industry, for sure. But I felt it was important to remind the world how vitally important aviation professionals are; "essential" doesn't even begin to describe it.

We are about to enter perhaps the busiest and most challenging summer travel season, ever.

As that happens, I wanted to write a story that would lead a global audience to understand, respect, admire and—yes, even love—the people (our colleagues) who connect us to the moments that matter most.

This book is a primer on the airline business. A high-stakes corporate legal thriller. A gripping medical tale about surviving a heart transplant. It's part family memoir, part lessons in business leadership. But above all, it's the longest love letter to aviation employees ever. It's the longest love letter in the history of business. And it's my way of giving back to all our colleagues who've given so much to me. This is their story; I'm just privileged to tell it.

**Just 37 days into your role as United Airlines CEO, you suffered a heart attack, followed by a heart transplant. How did that medical emergency impact your outlook on life and leadership?**

As Walter Isaacson, my friend and UA board member, writes in the foreword to the book, there are a lot of parallels between my own deathbed recovery and heart transplant, and the revival of United. Not only did both stories occur in tandem, but I also believe that—in the strange way that life unfolds sometimes—both stories could not have happened separately.

When I took the job in 2015, I arrived to find a United that was significantly divided between the two sides of the company. Mistrust ran rife between the former UA employees and former Continental

*"By coming together, taking care of one another, buying into a shared purpose and shared values, we began turning those aircraft around on time. ... Ultimately, we turned ourselves around."*

employees; and enmity had grown between management and our union-represented frontline workforce.

On the day of my heart attack, I had just returned from a lengthy listening tour, beginning to understand just how difficult it would be to unite this fractured culture. In fact, that same day, we were scheduled to have the first United Labor Summit, bringing together all our major union heads in one place to hammer out our disagreements. Lengthy, tortured contract negotiations meant that former UA and former Continental employees couldn't crew the same aircraft, or work together on "common metal," in airline parlance.

When I woke from a seven-day medically induced coma, I was amazed at what happened next. During my absence, employees spoke out in my defense to skeptics who didn't believe I had the airline experience to make this company work, with my health crisis only adding to concerns.

Thousands of letters, care packages, notes and texts arrived at the hospital and my house. Every morning my kids would sit around my hospital bed reading these messages—Mailbag Time, we called it. The people who wrote to me wished me to get better not only out of a sense of kindness; they wanted me to finish what I had begun, to fulfill the promises I made on that listening tour.

For a company that had not been "flying together" as a team in a long while, this unanimous show of support made me believe that uniting this airline might just be possible after all.

**Business leaders today face no shortage of challenges. What advice do you have that might help leaders think about how best to prioritize their time and energy?**

I called the book *Turnaround Time*, not only as a nod to the many "turns" that an aircraft makes every day upon takeoff and landing. But because we turned around our airline itself.

Today, as I travel, I see us doing our best work, our brightest days ahead of us. People are noticing and appreciate it, believe me. And leaders of the biggest organizations want to know how we did it.

I explain to them that there are a lot of differences between what it takes to turn around our aircraft, hundreds of times per day, and what it took to turnaround our airline, beginning in 2015. But both require a united team to perform it well.

By coming together, taking care of one another, buying into a shared purpose and shared values, we began turning those aircraft around on time. And



with each flight, we got better. Ultimately, we turned ourselves around.

But I had the advantage of learning lessons from less successful corporate turnarounds. I've seen many leaders walk into an organization thinking they have all the answers. Though I'd served on the board, my prior experience was largely outside the aviation industry. That allowed me the freedom to ask pretty basic questions. This gave permission for people to open up and tell me what I needed to hear, not what I wanted to hear.

Asking basic questions, in turn, allowed our people to reexamine the fundamental assumptions that perhaps needed to be tested and revised. That openness allowed all of us to reset, restart with a clean blackboard and build this airline back up from scratch. My listening tour was crucial, though it was cut short by my heart attack. So my lesson is simple: Listen first, learn ... and only then can you lead.

**Why is it so important for leaders to embrace an employee-first culture? And how do leaders go about that when they have a dispersed workforce?**

Airlines were hybrid and remote long before the



**A *Wall Street Journal* bestseller, Oscar Munoz's memoir details his time as United Airlines CEO from 2015 to 2020.**

pandemic, so we have a unique and long experience with communicating culture, values and a shared purpose to a dispersed global workforce that spans time zones, countries and languages.

I don't believe there is a one-size-fits-all approach to hybrid work, and I expect a lot of trial and error. I serve on boards across industries, and the model that is right for a cloud giant like Salesforce will be different from the best model for an engineering and aerospace firm like Archer Aviation.

But whether you have a single factory floor or office space, or not, culture is the cornerstone of a thriving company.

The best way to communicate the kind of culture you want to build to your employees depends less on what you say and everything to do with how you make them feel through your actions. In my first days, I made a list of The Top Ten Dumbest Things We Do, the kinds of policies and stingy restrictions that communicated to our employees that management didn't care, and which seemed designed to make the performance of their jobs harder.

"Be the Brand"—that was the slogan used in our employee communications in those days. It rightfully became a target of mockery. Not because it



PHOTOGRAPH: SAVERIO TRUGLIA/REDUX



was a bad slogan, *per se*, but it implied that all the responsibility for serving customers rested solely on the shoulders of our frontline employees, not shared by management. As if our employees' attitudes were all that stood in the way of winning customers back to United. Not the cost-cutting, rule-obsessed, disciplinary-heavy culture that had come to ill define what it meant to "Fly the Friendly Skies" during those difficult years. Every time employees learned that another perk had been rescinded or another onerous rule had been imposed upon them or their customers, they would see those posters and shake their heads: "Hey management, practice what you preach." They weren't looking for an excuse not to do their jobs. They were looking for me and the top brass to do ours—that is, to create an environment where hearing "thank you" becomes the expectation for frontline employees, not the rare exception.

We began making tangible, meaningful changes to the most onerous sticking points. Sometimes it was as simple as providing a better quality of coffee onboard, which made employees proud of what they served. Later, it would be big things like finally concluding labor contracts that reflected the importance of our people. Small or large, every action needs to communicate respect and pride in what we do. Employees felt that and they began to reclaim the pride and sense of shared mission that had been lacking for so long.

**You talk a lot about how critical it is for leaders to communicate effectively. Should they speak out on social issues?**

It's about authenticity. Over my tenure, we felt it necessary to speak out more frequently and take stands on urgent issues that were highly relevant to United; it was a sign of the times.

I am cautious not to be seen as speaking for my employees. I didn't want to force my politics or my perspective on anyone or on my employees. We are diverse. We hold diverse views, like any big family.

But we do share certain values, otherwise we wouldn't be "United." You wouldn't be here if you didn't believe in the values of "Connecting People and Uniting the World."

I don't go chasing social issues; but when they come knocking on your door you have to answer the call. There are times, however, when silence becomes a vise, when a company has no choice but to speak out because it finds its values and reputation suddenly on the line.

That was the case in the fall of 2017, when I chose to speak out in defense of the Dreamers. As a

*"From our leadership on sustainability, to diversity and inclusion, we take these stands because not doing so would be inconsistent with our values, and contrary to our business interest as well."*

Mexican immigrant who immigrated to the US as a young child, and lived undocumented for a time, I felt compelled to do so. As a CEO of a company dedicated to serving others with care, I felt an even greater sense of obligation.

Then, in 2018, the administration requested that US airlines assist with its horrific policy to separate children and send them, alone, back to their countries of origin. At that point, there was no question about United's moral obligations or my own. We publicly condemned the policy and refused to have anything to do with it. In fact, I credit our employees. Our corporate responsibility teams rapidly forged a partnership with FWD.us, an outstanding nonpartisan organization, to help operate "Flights for Families," which reconnected immigrant children with suitable next of kin in the US.

From our leadership on sustainability, to diversity and inclusion, we take these stands because not doing so would be inconsistent with our values, and contrary to our business interest as well.

**How did you go about building a relationship of trust with union leadership?**

Early in my tenure, Sara Nelson, president of the Association of Flight Attendants (AFA), called for a worldwide protest against United. "Enough is enough," said Sara. "Flight attendants have given a lot to United Airlines, and we deserve a fair contract in return."

Fast forward to an episode in the book, as we worked to defuse a potential proxy battle launched by Brad Gerstner, CEO of Altimeter, those same unions picketed outside Altimeter's offices with signs that read: "Let Oscar do his job."

The other unions did the same and that united front of support was key to a successful resolution of the proxy fight. During negotiations around the CARES Act, my fellow airline CEOs knew that our hands were phenomenally strengthened because the legislators on the other side of the table knew that our unions were with us, and tens of thousands of their members were too. That's a source of power.

My fellow business leaders often ask my view of how companies should manage labor relations. I don't have a broad political theory. To be sure, there's a renewed vigor in America's labor movement and I think that is an important development. But I am very practical. The problem I had to solve at United was winning back the engagement of our employees as the first and necessary step in improving our service and our strategic plan to return to profitability. That couldn't be done without rebuilding a



**United Airlines' then-CEO and staff celebrated Team USA as 85 US athletes boarded their flight to Rio for the 2016 Olympic Games.**

constructive relationship with our unions. Other leaders and other companies have to deal with their own circumstances, and I don't presume to have a dogmatic prescription. But we could use more pragmatism and fewer polemics.

**By the time you retired, United's board of directors had become one of the most diverse in the industry. What advice do you have for boards and CEOs looking to make their own boards more representative?**

As a leader, your decisions are only as good as the advice you have. The more wide-ranging set of experiences and backgrounds that you can gather around your leadership team, the smarter decisions you will make.

Brett Hart, who was then our general counsel and now holds the distinction of being the first Black president of a major US carrier, proved to be the ultimate consigliere to me, because he was the person in our C-suite with a breadth of professional experience to help me frame issues in all the variety of contexts in which United operates—legal, political, cultural, reputational.

I often say that had he been present during our initial discussions about how to respond to what would become our greatest PR crisis of my tenure, his instincts would have moved us to a much wiser and more constructive first response.

But, in order to build that level of diversity into your top leadership, you have to begin with building pathways that reach to the entry level and have stations along the way for people to advance their skills. That takes time and it takes a concerted effort on diversity and inclusion. It's not just a matter of conscientiousness but of competitiveness.

**Since the pandemic, airlines have returned to a position of strength, with profits rising, but so are prices and tensions among employees and customers. What advice do you have for today's aviation leaders—and leaders in other industries—to ease the pressures?**

Develop tools for employees that allow them to solve problems in the moment. Speak to them in terms of the ultimate outcomes that you want them to achieve and then allow them the freedom to use their best judgment to get there. Don't overload them on policies and procedures, one where they are more afraid of a reprimand from a supervisor than they are ambitious to please the customer. Build a culture where employees are used to getting a pat on the back rather than always having to look over their shoulders.

In turn, I ask the flying public to remember that even when tensions rise, when delays and cancellations and crowds become frustrating, that these employees are working hard to pull off this immensely complicated global dance that airlines do every day. It's almost a miracle that it happens.

I wrote this book to help the flying public better understand what these heroic professionals do every day and to come to hold them in the highest regard, as I do. And, as I write in the book, "If this story leads all of us to reset our relationships with that cadre of fellow human beings whom we've come to refer to as 'essential workers,' whatever industry they work in, well, that would be a pretty welcome result, also."

#### **Final lessons?**

To be a great leader, first listen, learn. Seek to understand others before demanding they understand you. Lead with empathy and authenticity. Follow the maxim, "Proof matters, not promise."

The greatest lesson I learned from this extraordinary journey is that it's more than possible for a company to be both profitable and principled. In fact, the best companies are profitable because they are principled. ♦

**JAYNE ROSEFIELD**, Senior Partner, leads Brunswick's Global Consumer Industries practice. She is the Founding Partner and Head of Brunswick's Chicago office.



# Dambisa Moyo

**A**N AUTHOR AND INTERNATIONAL economist formerly with Goldman Sachs, Dambisa Moyo sits on the boards of Chevron and Condé Nast. She has served as a member of the World Economic Forum's Global Agenda Council on Global Economic Imbalances, and the Bretton Woods Committee. She wields both an expertise and insider view of global corporate, economic and financial issues. Born in Zambia, she is today also Baroness Moyo, named in November of 2022 a member of the UK's House of Lords.

She was named by *Time* magazine as one of the "100 Most Influential People in the World." Her books have made *The New York Times* Best Sellers list and her fifth book, *How Boards Work (and How They Can Work Better in Chaotic Times)*, was published in 2021.

Moyo is in demand as a public speaker. As a commentator and columnist, she frequently writes for international financial and economic journals, periodicals and publications including *The Wall Street Journal*, *Financial Times* and *The New York Times*.

When we caught up with her recently, Moyo had just returned from Jackson Hole Economic Policy Symposium, a three-day annual conference and pivotal gathering of the world's central bankers and financial and economic experts. Her outlook for the financial and economic future reflects a world focused on both startling technological progress and deepening inequality. She is worried that those who assume the future invariably involves more democracy and more capitalism, not less, are taking a "dangerous view."

**You're just back from Jackson Hole, and you talk with leaders of all types about the state of the global economy on an ongoing basis. What are you hearing?**

It's a weird situation. When I'm in boardrooms with CEOs or listening to their conversations with investors, I hear optimism. They'll say, "What are you worried about? At worst, it's going to be a soft landing. It's all going to be fine."

But if I spend time with economists and public policymakers, as I did at the Fed meeting in Jackson Hole, the mood is almost 180 degrees different. They're worried about growth, still deep concerns about inflation—and how sticky inflation is. They're worried about geopolitics, what that might mean for globalization. They're worried about the debt burden. Public policymakers are very stressed about 100% debt-to-GDP ratios, the slowdown in consumer spending.

It's this weird dichotomy where half the people I spend time with think happy days are here again and the other half are much more concerned in terms of the global outlook.

Clearly there's a lot to be euphoric about, a lot of the forecasts that there were going to be these massive recessions, the war in Ukraine was going to create all these problems—all that we've managed to navigate through. But longer-term, the more structural questions about the global economy, migration, debt, demographic changes, geopolitics, supply chain constraints, headwinds from climate—I don't think we've solved any of those problems. We're now closer to them becoming ever more problematic.

"The world we've  
been living in, where  
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historical aberration,"  
says the global  
economist, author and  
board member.  
By **KEVIN HELLIKER.**





**Is the global economic picture harder to foresee today than in the past?**

During the pandemic I realized that as economists we very much live in the here and now. I was reminded about something I had written in *Edge of Chaos* in 2018: “What is the equilibrium around political economy and economics?”

What we know from hundreds and hundreds of years of history is that the world we’ve been living in, where democratic, capitalistic states dominate, is a historical aberration. If you go back centuries, you find more state-led economies—I think the word authoritarian is thrown around a bit too much, but you have more central control: Less market capitalism, more forces of government. That tends to be a more consistent theme than market capitalism and democracy.

If you start to look at things through that lens, then from my vantage point, things become a little bit more predictable.

If you think about a globalized world where there’s going to be more democracy, not less, more capitalism, not less, I think that’s a very dangerous view, because it causes you to miss a lot of stuff that’s happening in the world today. If we look at the political and economic environment that has dominated the last 50 years as our best guide for what’s going to happen in the next 50 years, I think we’re going to find ourselves in a lot of trouble.

**Should the Western model, if you want to call it that, of capitalism and democracy be the model for others?**

The answer is complicated. For me as an individual, the answer is yes. If you’re able-bodied and you want to work hard and to contribute and you want opportunities, why wouldn’t the market capitalist system be the best system? But that’s not really how the real world functions.

It also depends on where you live. In developed economies, it is a very different proposition from living in a smaller country that is in a nascent stage of democracy where you need to drive home a lot of foundational things to get the economy going—in those societies it’s been argued that you need more of a benevolent dictator, less of a plural society.

I feel more and more that there are a lot of system errors, not just in corporations or NGOs, but in how economies and societies develop. Legacy aspects drive the way a society functions.

To become an “America” is a very difficult thing, a lot of things have to go right. Clearly, it’s not been easy to transplant it around the world.

*“It’s this weird dichotomy where half the people I spend time with think happy days are here again and the other half are much more concerned in terms of the global outlook.”*

**You talked on CNBC recently about productivity and declining productivity, which is a concern. Also, the mystery of: Are we really measuring it?**

We haven’t had any real productivity gains for the past 10 to 15 years, which is a puzzle. There are three drivers of growth: capital, labor and productivity. Economists estimate that at least 60% of why one country grows and another one doesn’t is because of productivity. It’s hugely important. So to see a decline in productivity during a period of technological boom, when ultimately we should be more efficient, is an enormous puzzle.

I do want to say, it’s happened before, during the Industrial Revolution. There were enormous gains of productivity and then all of a sudden, they fell off. It was 10 years where there were no productivity gains. To this day, historians and economists debate what happened. How is it possible that there were all these gains, and then suddenly there was this lull? We’re kind of in that period now.

It might be a measurement problem. We’re in the AI era now, people are coming up with these crazy estimates of gains to expect. And yet, it can take a while to embed them. Going from Benjamin Franklin’s kite getting struck by lightning to electricity on everybody’s walls, just press a button, that takes many decades of delivery.

How do you get these potential gains that everybody’s excited about with AI? How do you deliver them so that it can be reflected in our output? It might be the case that regulation means the ability to embed those gains has been too aggressive.

Whole important and heavily regulated sectors of the economy have not been fully disrupted: education, healthcare, housing, financial services. In a lot of sectors in technology, there have been gains, but they’re just not recorded yet. Everybody’s speculating about where those gains would come from, but for now, it’s still an open question. And I think it’s going to remain an open question, especially with the AI euphoria, which I do think might be a bit premature.

**How do you see this impacting the employment landscape?**

People like to say it’s not just machines, it’s humans plus machines. Fine. But if you’re a policymaker, I think you’d be naive not to start to do some of the calculations and calibrations that even John Maynard Keynes was doing in the 1930s when he predicted that by 2030, we would have a 15-hour work-week because workers were going to be displaced.

I’ve heard anecdotally, and I’m getting more and more data, that people graduating from top

universities are not finding jobs. A lot of companies now think they don't need to hire as many new employees; they can just implement new AI for routinized work. And that's in the here and now.

If you're a government, the knock-on effects for skilled labor, non-skilled labor and immigration are enormous. If it's true that we're going to start to see a lot of workers out of work, you can see how the government will want to be much more aggressive about who's coming into the country, because what are you going to do with all these new workers? Wages pushed down, more people coming and don't have work—there are a lot of questions.

But policymakers like to be quite rosy about these things publicly. "Oh don't worry! We'll have more machines, but you're going to be more efficient and we'll need more workers." I'm sure that's true in some scenarios. But I think the broad sweep is that there will be dislocations. There's not an obvious sector to absorb unskilled workers, as there was when people moved from agriculture to manufacturing, or manufacturing to services over the last 100-plus years.

From a public policy stance, does that mean more universal basic income? Does it mean more welfare? Does it mean that more gains will accrue to the companies that are the fastest to get rid of the human workers and invest more in the capital? At the extreme, let's suppose you have 99% of the population not working but you have one person running the machine that's generating enormous value. Well, the tax structure could be quite different.

And then, Keynes' question becomes a very live one: What do that 99% do? In private, policymakers are asking that question, but publicly, it's not the sort of question that people would find easily palatable because it causes a lot of stress. But I think it's the right question to be asking.

#### **It's a scary question.**

Already, Wall Street traders have shortening horizons over which to perform—the windows are so short, and we have high-frequency trading, *et cetera*. It's not going to be long before you won't need the person at all. You won't need those humans. With AI, you can have machines trading, essentially high-frequency trading in the *n*th degree. It's so interesting for business models—countless examples.

In some aspects, it's going to take some time, but for others it's here already. From policy and inequality perspectives, I think it's going to be an enormous issue between countries. People are now coming to the southern border of the US because there are jobs for them to do here, but within 10 years, certainly 20,

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**KEVIN HELLIKER** is a Pulitzer Prize-winning journalist, formerly with *The Wall Street Journal*, and Editor of the *Brunswick Review*.

when AI becomes more fully baked in, there could be no jobs, and we'll be in a very, very different world.

There are already over 100 million displaced people and refugees—the highest on record, according to the IRC [International Rescue Committee]. And everybody's waiting for something to get done. We know that wages have been under pressure. I think this is going to be very problematic.

#### **Where does the relationship between China and the West go from here and what does that mean for developing economies?**

I hope the relationship gets better. There's a symbiosis there, the fact that we're even in this situation suggests some outlines to take. The language that's been used, the standoffs, were kind of unnecessary given the interrelationship within trade and capital and ideas, given where the world is, given where China is. Militarily, technologically, economically. That we ever got to a place of checkmate like this is absurd as far as I'm concerned. I'm very hopeful that some air can be taken out of it.

I actually think ultimately this is very much a money game. If China is going to write checks, they'll be welcomed. If they stop writing checks, they won't. It's as simple as that. I know that sounds almost farcical, but I really do think that. They've never pitched themselves as some ideological villain. They've never said, "We're trying to sell you God and democracy." And so the only thing that they've ever had to offer around the world is capital. Not even ideas, really. Just pure capital.

The question mark is because of their own economic situation, they've got deflation, large pockets of unemployment, the real estate problem. All those things mean there's a question mark about China's ability to continue to be an underwriter of economic development around the world.

The only caveat I'd add is that there are now these swing states coming up: Saudi Arabia, the other GCC countries, India. I think they will play a much bigger role and therefore might start to squeeze China's role in the global competition.

#### **What gives you hope?**

Generally, I don't have good news, I'm afraid. But I feel most confident about the US resetting. People are suspicious, given what lies ahead, the 2024 elections. But I just assume whoever wins, there'll be a bit of a fracas. Then we'll all go back to, "It's fine, it's America."

They say I'm being slightly naive. But there's pretty much nowhere else in the world, all things considered, and the numbers don't lie: *Res ipsa loquitur*. ♦



# The Making of

Under CEO **SCOTT BAXTER**, innovation is driving the ascent of Lee and Wrangler.

# Kontoor Brands

**SCOTT BAXTER** wore suits for the first half of his career before trading his coat and tie for jeans and a denim shirt.

After graduating from college with a degree in history, Baxter passed up a job offer from the US Secret Service for a corporate job at Nestlé. For the next 20 years, Baxter worked his way up through the ranks of Nestlé, PepsiCo and Home Depot until finally switching lanes to the apparel industry, where he's currently the Chairman and CEO of Kontoor Brands, the parent company of Lee and Wrangler.

Baxter's rise through the apparel industry started with a stint as a top executive of VF Corporation, where he ran Jeanswear among other businesses. When VF decided to spin off Lee and Wrangler under the new corporate structure of Kontoor Brands in 2019, Baxter bet on the future of denim. Over the past four years, Baxter has proven that those two brands remain more popular than many on Wall Street had initially realized. He's also proven that the opportunity exists to extend both brands into new







markets such as Nordstrom, while also introducing new products such as the All Terrain Gear shirt he wore during a recent interview with Brunswick Senior Partner Jayne Rosefield.

“The global team at Kontoor has a lot of grit and determination. It forms the strong foundation for the Lee and Wrangler brands. I knew with the right investment and growth strategy, we could make Kontoor a company that people are proud to work for,” Baxter said.

The CEO doesn’t just lead Wrangler and Lee from the C-suite; he also evangelizes for the brands when he goes out on the town.

“When I’m out on the weekend, or at night, I’ll wear a Wrangler ball cap, and maybe a Lee hoodie or T-shirt,” Baxter said. “When people tell me that they like something I’m wearing, I take it off and give it to them. It shocks people, but 99% of the time, they take it.”

**The spinoff occurred less than a year before the arrival of COVID. How did this new company and its new CEO manage to achieve so much during the pandemic?**

We went into the pandemic with a bit too much debt, which was typical in the sense that spun-off companies tend to get saddled with a lot of debt.

When COVID struck, that was scary. Our biggest customers weren’t even open. The world shut down for 30 days, but we acted fast.

We took decisive actions with a focus on the health and well-being of our employees. And we intensified our approach to managing our day-to-day business activities. We eventually cut our dividend. We stopped hiring. We slowed spending.

Our biggest customers—Walmart, Amazon, Target—were deemed essential retailers, and they reopened. Meanwhile, a lot of our competitors sold mostly to department stores deemed non-essential. This, coupled with our fast action to control costs, helped us greatly throughout the pandemic. Our products were sitting in essential accounts and were relied on by many consumers working in jobs that were deemed essential from the very beginning of the pandemic.

I’m proud of how our team came together to navigate through this challenging time. We executed with precision to emerge as a stronger company.

**During the pandemic you extended your reach into higher-end stores like Nordstrom.**

For years before the spinoff, Wrangler and Lee were underdeveloped brands at VF, just as there

*“We’re making lighter, cooler, more breathable denim. When I say cooler, by the way, I mean physically cooler. In a fashion sense, denim has been cool for decades, and it always will be.”*

are underdeveloped brands at many Fortune 500 companies. The two brands hadn’t innovated in many years and had started to lose their cool factor.

Still, despite taking a backseat to other brands under the VF umbrella, we were able to keep the lights on. So, we thought, “If we’re able to make money with such an underinvestment, there might be a real opportunity for these brands on their own.”

Many people doubted us. But we did it: We resurrected the brands. We put more money into advertising. We created new product—really innovative product that consumers responded well to. We took the brands to different channels. We started paying down debt.

For two-and-a-half years now, we’ve had a boutique group. We’ve created these collections where you can buy a pair of Wranglers for \$199, or really cool Lee overalls for \$139. That division sells to some of the best high-end boutiques, some of the best denim emporiums, places where we never had sold before, in cities like New York, Chicago and Toronto.

You can find Lee and Wrangler in Nordstrom. You can find it in Urban Outfitters. You can find it in China. You can find it in Germany. We’ve built some really amazing stores of our own around the world.

We also built a store here in Greensboro where you’d think you were in SoHo (New York City) or Lincoln Park (Chicago). The store provides Lee and Wrangler a unique opportunity to create a direct connection with our consumers in Greensboro, where our company’s origins are deeply rooted. It also provides a test-and-learn retail environment right here in our backyard, just a few blocks from Kontoor’s global headquarters.

Our people are wearing the product like never before. They are proud of what we are making and it shows. You walk down the halls of our office and you see people decked out in the latest from Lee and Wrangler.

**Following a spinoff, how do you go about developing a new culture?**

You do it by honoring the previous culture. VF has a magnanimous, loyalty-inspiring culture. We have many employees here, including my current administrative assistant, who were with the previous company for 40, 45 years. In that amount of time, a culture gets ingrained.

And while we had a strong culture to build upon, we faced an incredible number of obstacles in our first years as a stand-alone company. From COVID, to crippling supply chain challenges and



near-record inflation, these challenges presented a real opportunity for our team, an opportunity to come together and prove what a success we knew we could be. We had a good plan, a great team and a belief in the mission of Kontoor Brands. That has created a rock-solid foundation for the culture of our company.

One of the first decisions I made was to move the Lee brand here from Kansas, where it had been based since 1889. That was tough, but absolutely necessary. We didn't need back-office functions in Kansas that we already had in Greensboro. And it really helped create this dynamic where the leaders of the Lee and Wrangler brands could better collaborate.

This company is a community within the community. Our employees are an important stakeholder, and so is our hometown, Greensboro, North Carolina. One of Greensboro's nicknames is "Jeansboro," which speaks to the rich history and heritage we have in the city. And the community has rallied around our company—there was and continues to be a genuine excitement around Kontoor in Greensboro and the opportunity in front of us, particularly as one of the largest publicly traded companies in Greensboro.

We are continuously looking for ways to support Greensboro and the surrounding area. And the momentum is starting to build. Greensboro sits between Raleigh and Charlotte, two of the most

**"Denim has a very bright future," says Kontoor Brands CEO Scott Baxter. "It's that one fabric that continues to evolve with time and over generations of consumers. Socially, denim is more acceptable than ever in the workplace."**

fantastic growth stories you could ever imagine, and some of that investment is starting to arrive here.

**After the spin, Kontoor announced ambitious environmental and water conservation goals. Is the industry doing enough—is Kontoor doing enough—to mitigate harmful impacts to the environment?**

It never feels like enough. I have a 17-year-old at home. Sometimes reading the news, I think, what kind of world are we leaving them?

At Kontoor, we believe it is imperative that we use our global scale for good. There are three significant opportunities for us to drive change: ensuring the well-being of all people across our value chain; using less water to make our products; and decreasing our carbon emissions.

We have recently won several awards for our focus on fresh-water savings under the Indigood program. Through Indigood, we are measuring water use and encouraging denim mills from Mexico to India to adopt tailored water-saving technologies to reduce their fresh water use by up to 90%. More than 30 of our partner mills have enlisted in the program.

It's important to note that these mills also supply other global apparel brands, so the program is helping the entire industry reduce its dependence on fresh water use. Our hope is that Indigood can help set a global standard for water savings validation, a process that is disparate across the industry.





Lainey Wilson

I'm proud of the work we are doing through Indigo and our pursuit of a future where jeans can be created using zero fresh water, not just for Kontoor but for the entire denim industry.

**Don't Lee and Wrangler exemplify the fact that durability is a form of sustainability?**

It's amazing how long a good piece of denim can last. Durability is a key feature of our products for both the Lee and Wrangler brands. We design products that look good, fit great and last a long time. Durability keeps products out of landfills and allows us to reimagine a product's lifecycle.

There's a growing appetite for vintage, which is helping to fuel a path to circularity. The principle of circularity allows us to reimagine the life of our products. First, through resale by giving jeans a second life similar to our Wrangler Reborn and the Lee Archives collections. Then, rebuild by disassembling jeans, jackets and shirts and re-designing them into new designs. And finally reuse—recycling garments and producing recycled fiber.

**What kind of future do you envision for denim, a product so strongly and nostalgically associated with the past?**

Our move into some non-denim products like outdoor clothing is purely a pursuit of opportunity. In no way is that a hedge against denim. Denim has a very bright future—it's that one fabric that

*"Lainey Wilson really embodies the Wrangler female consumer. She is bold, lives her life to the fullest and is dedicated to the western lifestyle."*

continues to evolve with time and over generations of consumers. Socially, denim is more acceptable than ever in the workplace, it's more acceptable in fine restaurants.

The fabric itself also continues to change through innovation. We're making lighter, cooler, more breathable denim. When I say cooler, by the way, I mean physically cooler. In a fashion sense, denim has been cool for decades, and it always will be.

*The Wall Street Journal* recently ran a front-page story about *Yellowstone*-inspired fashion trends, and that article portrayed Wrangler as a major beneficiary.

Our products are all over *Yellowstone*. You could call that luck, but what it really proves is that the show is accurate and how authentic our brands are to the western culture. Wrangler and Lee are what cowboys wear. That has been true for a very long time. Lee dates back to 1889, Wrangler to 1947. Cowboys needed a really dependable jean when riding bulls and horses.

The heritage of our brands is so well known that viewers recognize the authenticity of *Yellowstone*, of what cowboys are wearing on the show. Everybody knows that Wrangler has been the brand of cowboys forever.

**Congratulations on your new brand ambassador, Lainey Wilson. It's hard to imagine a more ideal ambassador for the brand.**

She was the Country Music Awards' Female Vocalist of the Year in 2022. She's got a number one album. And she's a star on *Yellowstone*, one of the biggest shows on television.

A longtime fan of our product, she is now our global ambassador for Wrangler women's. Lainey Wilson really embodies the Wrangler female consumer. She is bold, lives her life to the fullest and is dedicated to the western lifestyle. Her star power combined with Wrangler's focus on growing the brand's female business is a winning combination and a great example of Wrangler stretching the brand in new directions.

In the four years since the spin, we've reinvented two iconic brands. Consumer passion for Lee and Wrangler jeans has elevated the brands in the hearts and minds of our consumers.

We couldn't be more excited about the future—and I couldn't be more proud of what our team has accomplished together. ♦

**JAYNE ROSEFIELD**, Senior Partner, leads Brunswick's Global Consumer Industries sector. She is also the Founding Partner and Head of Brunswick's Chicago office.



# Culture Catalyst

**L**AURENCE W. BATES'S RISE TO THE POSITION of General Counsel of Panasonic saw him master two of the most challenging languages, Mandarin and Japanese; de-risk GE's business in Asia and elevate the legal and compliance function of two of Japan's greatest corporations, Panasonic and Lixil. His career has spanned Japan, China and the US from the early 1980s to today—decades of extraordinary transformation and change.

Indeed, he was more than part of that change, helping to lead corporate Japan to a new age of transparency and diversity. Prior to working in Japan

The day after his retirement as General Counsel for Panasonic, **LAURENCE W. BATES** talks to Brunswick's **DAVID ASHTON** about his personal stake in transparency and his long career bridging cultures.

for GE, where he worked for a total of 22 years, Bates was a lawyer in China at a New York-based law firm. It was during this time that he also met the man who would become his husband and with him, adopted two children. As a gay man with a family, he became part of the trailblazing movement remaking corporate life around the world.

Bates served at Panasonic since 2018, as Chief Compliance Officer, Chief Risk Management Officer, General Counsel, Managing Executive Officer and Director. The day after his official retirement as General Counsel and a few weeks before his replacement on the board was to be confirmed at the AGM,



as he was getting ready to return to the US where his family is now based, he took a moment with the *Brunswick Review* to reflect on his lifelong work of bridging cultures and to imagine the road from here.

Larry Bates had a curiosity about the world beyond US borders even as a young man in the small town of Mystic, Connecticut, collecting postage stamps, learning the geography and history of foreign lands, closely following the visits to a then-isolated Communist China by US President Richard Nixon in the 1970s. By his early teen years, Bates knew not only that he wanted to study the Chinese language and culture, but that he needed to do that at Yale—one of the few schools that offered an intensive Chinese studies program. It was a dream that seemed out of reach to his parents. His father served in the Coast Guard and his salary didn't provide room for many luxuries, let alone an Ivy League education.

"They didn't think we would have the money to go to a place like Yale," Bates says. "I really kind of explored it all on my own, looked for scholarships, what have you. I was determined. I thought about going internationally and in some ways, as far away as I could go, from almost the earliest time."

Needless to say, Yale is exactly where he went, and from there to Wuhan, China in the early '80s, where he taught English as part of a restarted Yale program. This was China under Deng Xiaoping, just beginning to open to the West after decades of isolation. China's universities had only recently reopened after the Cultural Revolution closed them for 10 years. Bates was one of only a handful of foreigners on campus.

"Wuhan University had a beautiful campus with cherry blossoms, which had been actually planted during the Japanese occupation," Bates recalls. "In the rest of the city you would never see a foreign face. People dressed all in gray or blue or Army green. The women, the girls, had long braided hair. You could not just casually find a restaurant to go out and eat at after say 7 pm.

"I've stayed connected to China through all of my career and it's just amazing, good and bad, to see how things have changed. About '87 to '89—I went to Beijing and was there for the Tiananmen uprising. Just in those less than 10 years since my time at Wuhan, things had already changed dramatically. Today they're in many ways unrecognizable."

An offer from GE in 1991 allowed him to bring his legal, communications and cultural skills to bear in the context of organizing the legal and compliance structure of a global company. In that position, he found a role that he would occupy at both American and Japanese companies for the next 30 years.

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"I was very attracted by the idea of being close to the business, and building something from within, and being close to the decision makers."

GE proved pivotal. There he was guided by Ben Heineman, an almost legendary figure in the corporate world who was then Senior Vice President-General Counsel and later Senior Vice President for Law and Public Affairs. Heineman also served as Assistant Secretary for Policy at the US Department of Health, Education and Welfare and was a Senior Fellow at the Kennedy School's Belfer Center for Science and International Affairs.

"He really made the case for all American companies, and then increasingly global companies, about what an in-house legal team should look like, and what they should do," Bates says. He also credits his first boss at GE, Swedish executive Göran Malm, with helping him learn the ropes as the pair worked over seven years on 14 acquisitions and joint ventures for GE across Asia. "It was like an extended business school, with him at the helm," Bates says.

His work at GE was noticed by other companies operating in Japan and in 2014 he was invited to join the Japanese materials group Lixil as its Chief Legal Officer. In 2018, at the age of 60, he joined Panasonic, a company in the process of a major restructuring away from its personal electronics. Internally, the company was also moving toward a greater diversity of talent for what had been a traditionally Japanese enterprise.

As a non-Japanese lawyer in two Japanese companies, his role was not to remake them to follow a US model, Bates says, but to help them achieve the accountability and transparency they would need to compete in changing international markets.

"There wasn't so much litigation in Japan compared to the US," he says. "People sort of did things on a handshake or a bow in those days, even when it came to contracts. So there wasn't an immediate recognition of the need for sophisticated legal counsel. But the reality has sunk in, at different points for different companies, that if they're going to be global, they're going to have all these same issues as US companies. They have to be much more sophisticated."

Over the course of his career, he's seen significant culture shifts. The evolving global regulatory landscape includes a growing focus on cartels and competition law, of concern to any company operating internationally. But it also includes rising pressures on corporations to respond constructively to environmental concerns and the social concerns of equality in treatment and opportunity and human rights concerns that stretch deep into supply chains.

While these concerns are being addressed by leadership, Bates says, they have yet to be fully embedded into all the decision making, which must happen to earn the trust of all stakeholders.

In the path toward that goal, core issues of compliance, accountability and transparency serve as a sure vehicle. Those have been his focus and as he leaves his position at Panasonic, he says he's pleased with his accomplishments and optimistic for the future of the organization.

"I would say my two biggest priorities from day one were: how to create a legal and compliance infrastructure on a global level, and a culture around that. Obviously that's not something that happens in four years, or maybe 10, but I think in terms of putting together the elements of a global compliance program—a unified global hotline for whistleblowing concerns; global, not local, policies in each of the risk areas; an investigation mindset, learning from the results of those investigations and making improvements in process; assigning responsibility through appropriate disciplinary structures—we made progress on all of those things, creating ownership in a more positive way. To me, that's kind of the bread and butter of how to create that global compliance infrastructure.

"The other of my priorities was people, the team, building the right combination. I learned from Ben Heineman that you almost have to create a law firm within the company, with the right combination of specializations in these areas who support everybody and generalists who really understand the business that they're supporting. Of course, that's a never-ending process. But that's what I spent my time on."

Bates says he can't claim to have been a visionary as an advocate of LGBT issues in the workplace. Rather, his openness evolved slowly. However, the result, he says, was that he felt more authentic as a leader, knowing his marriage was accepted.

"Certainly by the time our first son was born in 2011, there was no doubt that we were totally open as gay parents, for the sake of the children as much as ourselves," Bates says. "We popped open a bottle of champagne in June 2013, the year I was leaving GE, when the US Supreme Court overturned the Defense of Marriage Act and recognized retroactively our 2008 marriage in California.

"I grew up in an environment where I could not acknowledge myself or talk about these issues. It took me many years, even in a Western context, to be able to do that. So, Japan is not completely unique in that regard. But it is the reality that as the world has changed, most of Europe and the Americas have

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moved to recognize same-sex partnerships—generally, moving in a positive direction. Here, we still don't see those types of legal changes.

"Part of the problem is that in Japan, even for a straight couple, you don't talk about your family relationship very much in a Japanese company context. It's kind of, to a large extent, separate worlds."

That lack of openness affects LGBT employees more strongly, he says, and their contribution suffers as a result.

"How I talk about my personal life, in a way that's credible to the people who are working for me, that affects my influencing skills and people's level of trust in me as a leader," he says. "The fairness aside, I think companies are probably relying on people who cannot feel comfortable being who they are and cannot contribute their great ideas as the companies need to change."

Japanese businesses are slowly coming to a recognition that diversity is crucial to any transformation, he says. But without "a strong legal driver," it remains a question of mindset rather than policy.

"There's a much greater awareness and understanding than there used to be when I first came to Japan," Bates says. "But I don't think that's translated yet into enough concrete policies that require progress or laws to actually make it happen. As a result, ahead of regulatory policy, we're starting at the company level, as I see in those I've been working in."

Bates is in the process of relocating to the US, where his family has been based since last year, and eyeing his prospects for the future. As he sees it, that future is likely to involve China and Japan.

"As somebody who loves cross-cultural interaction in the business world, I want to be where I can continue to contribute," he says. "What I see going on in the world right now is dismaying in many respects. I understand why people would talk about things like decoupling. But personally, I don't think that's possible or wise because from a business perspective, whether you're a global Japanese company or a US company or a European company, China is a reality that is going to be there. We may have a responsibility to figure out how to address the social or human rights policies we don't agree with. But I don't think it's going to be in our own interests to decouple and lose scale.

"So personally, what does that mean for me yet? I don't know exactly. But I want to be engaged from a business perspective in some way." ♦

**DAVID ASHTON** is a Partner and founded Brunswick's research arm Brunswick Insight in Asia. Formerly in Hong Kong, he is now based in the firm's Tokyo office.





## What's **EATING** Onsite Workers?

**T**HE COVID-19 PANDEMIC WROUGHT HUGE changes across the world. Some were passing, but some endured—most notably a changed relationship with our places of work.

The role of common space has come under increased scrutiny. Employees and their employers returning to offices after being forced to work on kitchen tables and in spare rooms for months (and in some parts of the world, years) are reexamining the benefits of convening in the workplace as somewhere to collaborate, socialize and inspire creativity.

UK-based Compass Group is the world's largest catering business and, with Business & Industry (in other words, offices and factories) as its biggest division, it has a strong interest in the recovery of offices. Compass operates in nearly 40 countries and during the height of the pandemic, the office-catering part of the business came to a virtual standstill overnight.

Today, all elements of the business are trading above pre-pandemic levels, a remarkable achievement considering that in much of the world, office attendance has been slow to recover.

**Food and socializing opportunities in the workplace are increasingly on the minds of employees as they return to the office, a Compass survey finds. By Brunswick's TIM DANAHER.**

“What we are seeing is that when hybrid workers go into the office, they want to catch up with colleagues and very often that takes place over food,” says Shelley Roberts, Group Chief Commercial Officer of Compass. “It’s all down to the greater role food is playing when people do go into the workplace. Coming into the office may be a less frequent occasion, but it’s more of a social experience.”

How food fits into the new way of working has huge implications for Compass, which employs over 600,000 people globally. To better understand the role food is playing in today's workplace, Compass commissioned global research agency Mintel. Surveying 35,000 workers across 26 countries, the Global Eating at Work Survey is one of the largest undertakings of its kind. It gives a deep insight not just into the role of food at work, but a wider lens into what the next generation of office workers expects from employers.

As someone with truly global experience, South African-born Roberts, who spent much of her career in Australia before relocating to the UK in 2021, is

well positioned to observe how the relationship with the workplace has changed and what today's employees and employers expect of one another.

"What comes through very clearly is that, when it comes to the workplace, employees' expectations of employers have increased," she says. "That's particularly true of Gen Z and Millennials, and with these groups soon making up the largest proportion of the workforce, they will be more and more influential."

Small changes at the workplace can make a big difference. For instance, the length and nature of the lunch break varies hugely, with the average around the world being 35 minutes. Between the countries surveyed, the lowest was 21 minutes and the highest 53 minutes, with most markets—including the US, UK, Germany and Australia—at around half an hour. Globally, the trend across most markets is that breaks are getting shorter and less frequent.

That is a reason for concern, according to Roberts. "We know a lot of organizations are keen to entice employees back to the office more, and ensuring proper breaks in high-quality breakout space definitely helps. The research really demonstrates that longer, better-quality breaks, in the right surroundings, have an important role to play in unlocking productivity and improving well-being." To that point, digital innovation that minimizes time wasted in queues for food has become even more important.

Even for those businesses without the scale or capability to provide food in-house, simply creating comfortable spaces away from the desk can make a big difference. The report found that four in five workers think it's important for employers to provide proper breakout spaces where they can relax and get away from their screens.

This need for engagement with other colleagues comes through acutely with new employees. The research found that recruits with under six months' experience are more likely to take shorter breaks and to take them alone—an unwelcome trend at a time when retention is such a challenge.

It's not just about employees though. At a time when the battle for talent is more intense than ever, Roberts argues that the research shows there are genuine benefits to employers for actively encouraging proper downtime—both in terms of their employer brand and the productivity of their workforce.

Seventy-nine percent of those surveyed said they have more conversations with colleagues when in the office rather than working from home, an obvious result of being physically together rather than having to pick up the phone or dial into a Teams call. And there is a further remarkable correlation: Among

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**Shelley Roberts**

Group Chief  
Commercial Officer,  
Compass

**TIM DANAHER**, Partner  
and co-lead of Brunsw-  
wick's global Consumer  
Industries group, is based  
in London.

respondents, where employers facilitate break time engagement, a full 10% of employees who socialize at lunch speak more highly of their employer compared to those who don't (71% versus 61%).

"Fundamentally, human beings are social creatures," says Roberts. "While there's definitely a role for hybrid work in today's world, what we are seeing from our clients every day is that more employees are choosing to return to the office if they feel they're getting something from it that they don't get at home."

A clear danger with home-based working is the temptation to frequently dive into the kitchen, while also moving around less. The research found that home-based workers snack on average three times a day—more than double that of those based in an office or workplace—while also indulging in more high-calorie snacks like chocolate. A large majority of workers surveyed say that what they eat and drink has an impact not only on how they feel, but on their productivity too. Where they have a workplace canteen, they're eager that it promotes healthier diets.

A key question for employers is the extent to which they financially support the return to work. Three quarters of employees surveyed said that employers should be doing more to support them with the cost-of-living crisis, for instance: free or subsidized food at work—the third most sought-after benefit after competitive pay and medical insurance. And over two thirds of UK office workers would consider a full-time return to the office if travel costs were covered.

While financial support is important, Gen Z and Millennial workers won't compromise on the sustainability and provenance of their food. Over 70% of the workers surveyed expect their employer to proactively promote sustainability in the workplace, and it's something that the senior management of Compass' corporate clients—and not just the people who work for them—are increasingly demanding.

"Sustainability is driving outsourcing of corporate catering," notes Roberts. "And our emissions are our clients' Scope 3 emissions. Just last week I was having a conversation with a global client about how we can model their carbon footprint from our services and work together to reduce emissions by increasing plant content and reducing dairy in their menus, without compromising on taste."

While business leaders debate the pros and cons of mandated office attendance, the evidence that being together in the workplace benefits both employees and employers is increasingly compelling. At a time when well-being is higher on the agenda than ever, the message from office workers is clear—give us a break! ♦



# Exponential

Moody's CEO **ROB FAUBER** says that we're living in a new era of risk. By Brunswick's **CRAIG MULLANEY** and **BILL PENDERGAST**.

THE MARCH 2023 COLLAPSE OF SILICON Valley Bank and resulting stress across the banking sector signaled new vulnerabilities in global financial markets, ones that could potentially produce unforeseen challenges locally, nationally and internationally.

For Rob Fauber, President and CEO of global risk assessment firm Moody's Corporation, the failure of Silicon Valley Bank deepened his sense that a fundamental change in the nature of risk has occurred, creating what he calls "exponential risk."

"We oftentimes talk about these 'black swan' events," Fauber said. "But now it feels like we have a variety of black swan events happening all the time. So I'm not sure they're so much black swans anymore. I tend to think of this as a new era."

Understanding risk is Moody's business. As one of the world's leading ratings and analytics firms, it provides unique insights into risk for corporations, sovereigns and global leadership.

"At Moody's, we deal with thousands of enterprise customers," he said. "Virtually every major company, financial institution and government organization on the planet is our customer. And they are telling us that they are dealing with a much more complex operating environment than they have ever dealt with before."

For over 100 years, Moody's has provided credit ratings to market participants. Today, the company continues to provide ratings and research while also expanding its risk offerings across areas like banking, insurance, ESG, customer verification, cyber and more.





The ratings agency has consistently topped Institutional Investor's list of the world's best credit rating agencies. At the same time, Moody's growing analytics business continues to earn accolades, including back-to-back first-place finishes for 2023 and 2024 in the Chartis RiskTech100, an annual ranking of risk and compliance technology providers. The firm recently won the "Best 10-K Form Award" from the US Transparency Awards, a testament to the transparency and high quality of information that Moody's provides to its investors and other stakeholders. And the company is consistently ranked as a best place to work, appearing regularly on DiversityInc.'s Top 50 Companies list.

Recently, Fauber visited the United States Military Academy at West Point to talk about the new era of risk, speaking to and taking questions from an audience of scholars in fatigues—engineers and scientists with combat experience. "For the military, the supply chain is, and always has been, a matter of life and death," he told them. "Everybody in this room is a master of making complex logistics work. But only in recent years have many private companies realized just how important the supply chain has become."

This awareness is in part the result of mounting complexity: the pandemic, US-China relations, Russia-Ukraine. Fauber also mentioned Colonial Pipeline, a major pipeline for refined oil products in the eastern US that few had heard of until a 2021 ransomware attack shut it down and caused major headaches: fuel shortages that forced cities to draw up plans to reduce public transit, airlines to cut flights and heavy manufacturers to slow down production.

The risk created by this complexity is being met by an explosion in data, Fauber said. Moody's AI-powered solutions capture and harness massive datasets to help entities make sense of the data that is most relevant to them. For example, one product creates reports from Moody's vast database of 470 million companies and tens of millions of "risk-relevant" people. Companies and institutions, including the military, request reports to support compliance, to know their customers and suppliers, to understand risks in various situations and for many other uses.

"Over the last 13 years, customer queries to our databases have grown 53,000%," he told the West Point audience. "We get almost a billion hits a day onto our databases to monitor an organization's customers, suppliers, borrowers, you name it. This is an exponential increase in access to data as our customers deal with an exponential increase in the risks they are trying to manage."

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Building on that growth, Moody's recently announced a partnership with Microsoft, where it will leverage Microsoft's Azure OpenAI Service to provide Moody's customers with more powerful ways of looking at risk using generative AI technology. This growth in the demand for data also points to changes in business approaches. "The traditional, siloed way of thinking about risk—financial risk, market risk, supply risk—isn't good enough today," Fauber said.

His own management style centers on collaboration and breaking down silos. After he was promoted to president of the credit ratings agency arm of the company in 2016, Fauber eschewed an office on the executive floor for a seat on the floor with the firm's analysts. When Fauber talks about decision making, he talks about "my team and I." And during his remarks at West Point, he made a point of questioning his audience as well as giving answers: "I want to hear what you think," he told them.

During his West Point visit, Fauber sat down with Brunswick Partners Craig Mullaney, an alumnus of the military academy and combat veteran, and Bill Pendergast to discuss his changing view of risk and the demands of leadership.

#### **We could start with that story about a sticky note on the door . . .**

[Laughs.] I was just appointed president of the ratings agency, yet I had never been an analyst. I had been head of the commercial team. That was very unusual. A lot of people didn't even know who I was and here I was, running the company's largest business.

When I was promoted, I was offered an office up on the executive floor, but I said, "No, the last thing I want to do is sequester myself in an ivory tower." So I found an office with our ratings teams—an office just like everybody else's—and I put a sticky note on the door that said, "Hi. I'm the new guy on the floor. Stop in and say hi." And a lot of people did!

#### **How do you extend that style to a firm of 14,000 people—particularly during a pandemic?**

I took over as CEO on January 1, 2021. We had the whole firm on Zoom to make that announcement. After I did that—which was one of the biggest moments in my professional life—I went downstairs and made my son a peanut butter and jelly sandwich. It kept things real for me. It was a stark reminder that the way we work together had fundamentally changed: Building a sense of community was going to be different—and harder.



*“Among the pandemic’s many lessons was that you lead everything with concern for your employees*

*... that focus has helped the firm to achieve so much over the past few years.”*

One way I stay connected with the company is through my internal blog, Rob’s Corner. It’s been a really effective way to engage with employees. Early in the pandemic, I used the blog to record a live stream where 7,000 employees tuned in—more than half the firm at that point. I was down in my basement, like so many of us, and I said, “Hey, look, here’s what I’m doing: I’ve got a chair that I’ve realized is not comfortable enough to sit in all day. I’m wearing normal clothes and constantly trying to figure out which angle looks best on camera.” I just went through my setup, so hopefully people could

feel more connected and comfortable with wherever they were.

Among the pandemic’s many lessons was that you lead everything with concern for your employees—literally everything you say starts with, “The first and most important thing is the health and safety of all of our employees.” You say that for a year and a half and it leads to a different way of looking at the firm’s operations—you make decisions that truly are guided by that principle. And that focus on our people has helped the firm to achieve so much over the past few years.

**You’ve had to deal with several other major crises, not just the pandemic.**

They always seem to happen in March! In three of the last four Marches we’ve had the pandemic, Russia-Ukraine, and then stress with the regional banks. These are all unprecedented events.

Internally, we use the phrase “Our views matter.” To me, that thought captures the essence of the organization. What we do matters to the world, especially in times of uncertainty.

So, when Russia-Ukraine was unfolding, I had probably the most important dialogue I had with our employees in my two and a half years as CEO. There was such a demand from our employees for us to take a stand publicly, to come out and condemn Russia. About a week into the conflict, I said to the firm, “Look. What we do matters so much that we’ve got to give our people the space to do their jobs. In the case of ratings, that means they need to take in the facts and circumstances, to apply our methodologies, and come up with an independent judgment.”

Moody’s downgraded certain Russian entities to Caa [obligations rated Caa are of poor standing and are subject to very high credit risk]. To me—and to the market—we did our job: We assessed the significantly heightened credit risk as a result of events that were unfolding rapidly. That’s what people look to our ratings for.

At the same time, we had thousands of customers working to comply with a shifting patchwork of global sanctions. And we helped—and continue to help—them do just that.

Later, I told employees, “We should feel very proud about what the firm is doing. We are fulfilling our mission serving global markets, and we’re doing it in an independent and rigorous way.”

After that, the noise internally died down. Everyone understood that the work we were doing across the entire company was incredibly important, and that our objectivity was a strength.



**Is it these more frequent black swan events that led you to proclaiming this “a new era of exponential risk”?**

I think the nature of risk has fundamentally shifted. You do see it in those black swan events—as unusual events become more regular, risk grows exponentially. But it’s even bigger than that, and it’s something I hear in nearly every conversation I have with leaders. Risks no longer exist in isolation; they intersect, overlap and collide in new, unexpected ways and behave in a way where one risk can trigger other vulnerabilities far removed from the original point of origin. This makes risk assessment incredibly complex.

But the news isn’t all bad—with risk comes opportunity. And this new era of risk calls for a new mindset around it and approach to manage it.

Historically, companies approached risk in silos—supply chain teams focused on supply chain risks, for instance. But that’s not going to cut it anymore. You need a more comprehensive, multifaceted approach—what we call integrated risk assessment. It means looking not only at the risks themselves but also their potential and likelihood to interact with other risks.

This type of examination—of risk assessment—is possible thanks to the sophisticated engineering, data and analytics that our experts and analysts utilize on behalf of our customers. Organizations that recognize exponential risk and embrace new technology and tools to manage it, will ultimately build stronger resiliency and be better positioned to seize new growth opportunities.

**Is AI—or more specifically Generative AI—one of those new technologies that can help companies deal with exponential risk?**

Absolutely. Moody’s has long incorporated traditional AI into its products and services. But GenAI is a once-in-a-generation opportunity and a critical tool for companies as they confront the era of exponential risk.

Moody’s immediately recognized the potential of this new technology, and we became one of the first information services companies to embrace and demonstrate how GenAI can empower organizations to more effectively measure, manage and mitigate all types of risks.

When we announced our partnership with Microsoft this summer, we developed the slogan: “Powered by Microsoft, Anchored by Moody’s.” This reflects the union of industry-leading technology with best-in-class data and analytics. By combining

*“The news isn’t all bad—with risk comes opportunity. And this new era of risk calls for a new mindset around it and approach to manage it.”*

Moody’s vast, proprietary data, insights and research with Microsoft’s remarkable GenAI technology, we are now able to create new offerings that provide deeper, richer insights into risk than ever before ... all in a safe and secure digital environment that preserves the same ethics and safeguards that Moody’s has always championed.

In fact, we’ve begun to deploy the first GenAI-powered risk assessment tool, something we call Moody’s Research Assistant. The Research Assistant is an interactive chat feature that can look across Moody’s vast data estate—firmographic data, credit indicators, economic forecasts, and risk and reputational profiles—and quickly generate custom, detailed analyses on companies, sector or risk exposures, all in an effort to provide customers with multifaceted, integrated perspectives of risk. We’ve begun previewing the Research Assistant with customers and the feedback has surpassed even my very high expectations. We’re very excited about this!

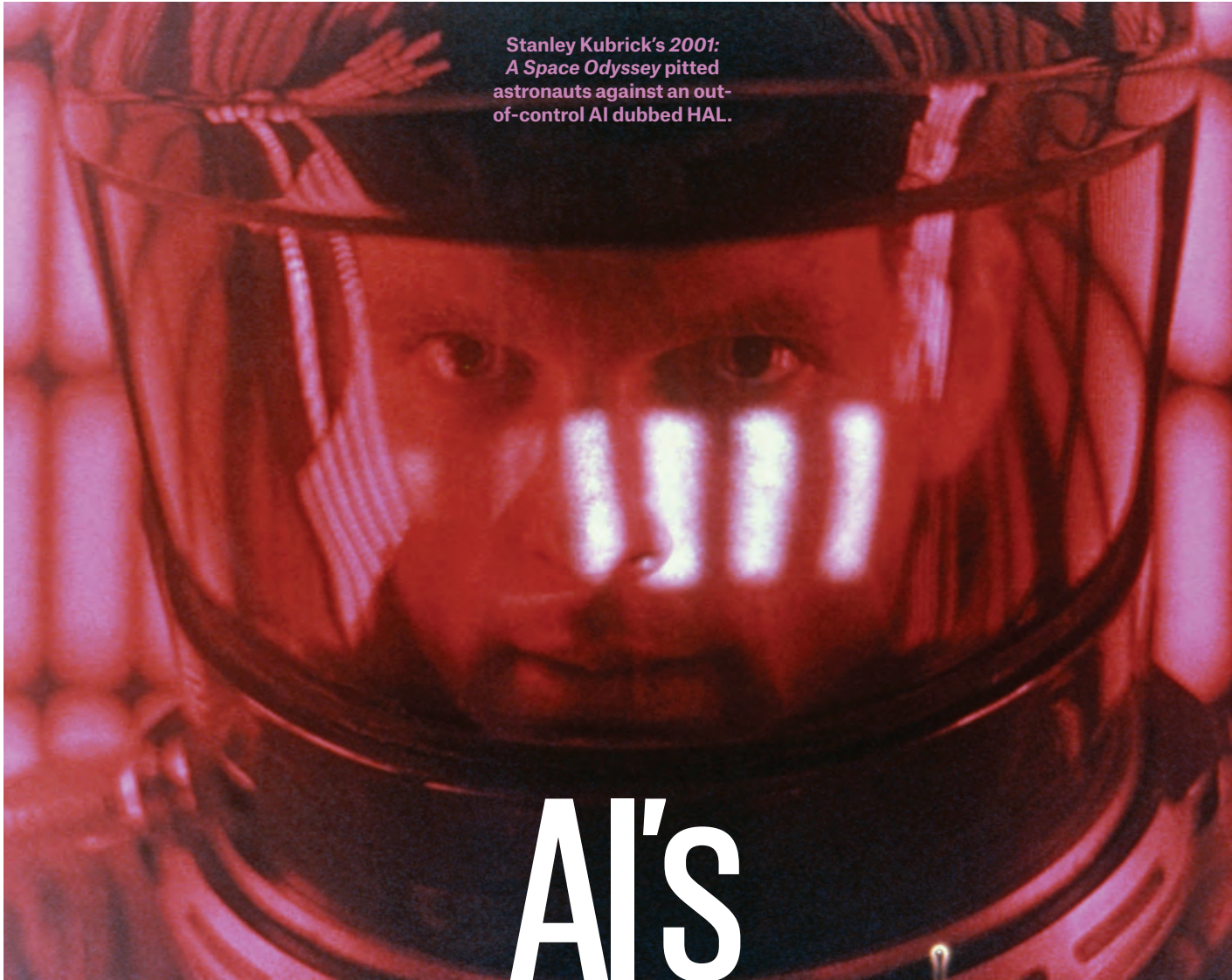
**It sounds like an exciting moment in Moody’s evolution. As we close, is there a leadership lesson or anecdote that helps keep you grounded through all of these events and all of this change?**

Through taking over during a pandemic, addressing black swan events and leading the company to embrace GenAI, I’ve learned that with great challenges come great opportunities. But one does not automatically follow another; you have to have the courage of your convictions to drive toward the goals you believe in, and impeccable people by your side to make the most of every opportunity.

A few months ago, I had the honor of hosting Dr. Albert Bourla, Pfizer’s Chairman and CEO, for a fire-side chat at Moody’s. During our conversation, we discussed how companies can “make the impossible possible.” In Pfizer’s case, this meant creating, testing and manufacturing a COVID-19 vaccine in just nine months. Dr. Bourla credited this unprecedented accomplishment to two factors: having an amazing team and getting them pulling in the same direction.

I see these same principles embodied by my Moody’s colleagues each and every day. They bring a unique sense of passion and purpose to everything they do. And because of these ingredients, I know Moody’s will remain the preeminent company of choice to help our customers navigate some of the biggest risks in the world. ♦

**CRAIG MULLANEY**, leadership advisor, bestselling author and decorated US Army combat veteran, is a Partner in Brunswick’s Washington, DC office. **BILL PENDERGAST**, a Partner based in Dallas, has devoted his career to working with CEOs on their most critical leadership issues.



Stanley Kubrick's 2001: A Space Odyssey pitted astronauts against an out-of-control AI dubbed HAL.

# AI's Rough Road

**G**ENERATIVE AI PROGRAMS SUCH AS CHAT-GPT, a large language model, and DALL-E, an art creator, have captured the public's attention in the last year and sparked a white-hot discussion about artificial intelligence. Some of the discussion has been productive. Much of it has been breathless.

Fed by decades of Hollywood movies on the menace of artificial intelligence, that mounting anxiety has grown into a near hysteria. In a Reuters/Ipsos survey in May 2023, 65% of Americans said they were concerned about the use of AI. In the same survey 52% of Americans agreed with the statement that "AI is bad for humanity." And 83% of Americans in an AI Policy Institute survey in August 2023 believe AI could accidentally cause a catastrophic event.

Granted, some of those fears about the consequences of an unleashed AI come from the tech community itself and others skeptical of the programming logic behind it. But that critical discussion around the future of AI has added energy to

Public fears of the latest AI technology are going to get worse before they get better, says Brunswick's **ROBERT MORAN.** But they will get better.

a wave of oversimplified and generalized fears in public discussions. The public concerns about AI include limited trust in technology companies to self-regulate, and a fear of widespread job loss—83% don't trust groups and companies developing AI systems to do so responsibly, according to a June 2023 survey by Ipsos. A separate survey by Reuters/Ipsos finds that 62% of Americans think that "companies that replace workers with artificial intelligence should pay a financial penalty to offset the increased unemployment."

Public opinion research has focused on these general perceptions of AI and potential risks, with a heavy concentration of questions related to potential



job loss and autonomous vehicles. Very little opinion research has gauged perceptions of AI's potential benefits. Instead, most of the opinion research that has been done perpetuates a kind of doom loop of negative feedback.

While leaders do need to understand that the general public has significant concerns about AI, it also should consider them within the historical context of technology adoption. There is a common pattern of social adoption with all new technologies, from blissful ignorance to early adoption to irrational exuberance, then disillusionment, regulation and finally acceptance and technological maturity. Elevators and electricity are two examples.

When elevators were first invented, the public was resistant to entering them. Elisha Otis' demonstration of his safety elevator with a braking system at the 1853 New York World's Fair began to allay the public's concerns.

Similarly, there was significant public fear of electricity at its advent. Benjamin Harrison, US President from 1889 to 1893 and the first to live in an electrified White House, echoed common fears by refusing to touch the light switches for fear of being electrocuted. Meanwhile, the new technology's benefits were also misunderstood, with electricity being offered as a cure for various ailments, via consumer devices that gave users a mild shock.

That bumpy road toward the acceptance of an important new technology plays out consistently. There are a number of models for social adoption. The most commonly used is the diffusion theory: A technology is adopted by progressively larger segments of the population, starting with innovators and early adopters, expanding into the early majority and maturing with the late majority and laggards. By this model, GenAI is still very much in the innovator and early adopter phase of this model.

Most business leaders are also familiar with the Gartner Hype Cycle model, which posits that every technology progresses through five phases: an innovation trigger, a peak of inflated expectations, a trough of disillusionment, the slope of enlightenment and a plateau of productivity. Gartner places GenAI at the absolute apex of inflated expectations, just before the crash into disillusionment.

To pinpoint the exact location of the sentiment of the general public on any of these models is not easy. Unlike other technologies that have surprisingly burst onto the public's imagination, humans have been speculating on artificial intelligence ever since Charles Babbage's Difference Engine in 1832, the ancestor of the modern computer. In 1833,

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FROM A TOOL, TO A  
CO-WORKER,  
TO AN ADVISOR,  
TO A FRIEND.

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**ROBERT MORAN**

is a Partner in Brunswick's Washington, DC office.

Lady Byron reviewed the operations of Babbage's Difference Engine and referred to it as a "thinking machine." We have been wrestling with the implications of thinking machines ever since.

Years of sensational movie plots, from HAL in Stanley Kubrick's *2001: A Space Odyssey* to this season's *The Creator*, have primed the public for a deep fear of AI, in particular the inevitability of Artificial General Intelligence (AGI) or so-called Strong AI. In fact, 54% of Americans believe human-level AGI will be developed in the next five years, according to an AI Policy Institute survey.

Western culture struggles with AI in part because of the Frankenstein Paradigm. In 1818 Mary Shelley published *Frankenstein or The Modern Prometheus*, which many consider the first science fiction novel. Dr. Frankenstein creates "the monster" and it unleashes death and destruction. The story cemented a vision of technology that destroys us. But, what if we created a new technology, like AI, and it freed us?

If history is any guide, public opinion will get far worse before it gets better. The trough of disillusionment will be very deep. History suggests that some future event will trigger regulation and new social norms, and these will promote social acceptance.

History also suggests a winner-take-all arms race. Revolution in Military Affairs theory, or RMA, postulates that each transformative technology is weaponized and the power that dominates the weaponization of that technology gains hegemony. Chariots, bronze, iron, gunpowder, industrialization, air power, atomic weapons and cyber are all examples of weaponized technologies that produced a hegemon. We can anticipate the same pattern with AI. However, AI may be fundamentally different than previous technologies, in that it may develop at a far more exponential rate, giving the first mover an unassailable advantage. An AI arms race is unlikely to reassure a wary public.

As the public experiences the positive aspects of AI, fear will slowly give way to more nuanced opinion. AI will evolve from a tool to a co-worker and an advisor. AI will reduce the risk of accidents, save lives with early disease detection, invent new medicines and free us from boring work. Pew Research Center polling from 2021 found that the public is more excited than concerned about using AI to "perform repetitive workplace tasks" and "diagnose medical problems." This gives us several clues to our future.

Similar to computing's march from mainframe to personal computer, AI will also evolve from distant other to helpful friend—personal AI. Only then will we move beyond the Frankenstein Paradigm. ♦

**T**HE HEALTH OF THE US BANKING SYSTEM IN the aftermath of the collapse of Silicon Valley Bank; the state of US-China relations; proposed regulation from the Federal Reserve; financing the climate transition—these are the topics on which leading media outlets have recently sought Tim Adams’s views.

The demand for his perspective reflects how uncommon is its blend of breadth and depth. For the last decade, Adams has led as President and CEO the Institute of International Finance (IIF), which lists its members as “commercial and investment banks, asset managers, insurance companies, professional services firms, exchanges, sovereign wealth funds, hedge funds, central banks and development banks”—essentially every player in modern finance.

Headquartered in Washington, DC, the IIF has offices in Beijing and Brussels, Singapore and Dubai. Its 46 board members are an all-star cast of global finance leaders. The IIF’s research—particularly on capital flows and debt levels—regularly attracts global media coverage, while its events are among the most reputable in the industry.

Before joining the IIF, Adams was Managing Director of a global economic advisory firm, and had served as Under Secretary of the US Treasury for International Affairs. He had also been Chief of Staff to two US Treasury Secretaries: Paul O’Neill and John Snow.



# What’s Keeping Finance CEOs Up at Night?

Brunswick Partner Molly Millerwise Meiners spoke with Adams in late summer to get his views on everything from AI to ESG, “woke CEOs” to smart regulation. The interview took place just before Adams was set to get on a plane. Accompanying him on his travels was a reading list that seemed fitting, but not exactly relaxing: a stack of books on artificial intelligence, and a just-released 1,000-plus-page proposal from the Federal Reserve.

## **For better or worse, how has the global financial system changed over the last decade?**

It’s been an incredible time, joining the IIF after the Great Financial Crisis and at the early stages of the Basel III process—which, it’s remarkable we’re still talking about implementing.

Without question you’ve seen greater financial inclusion, particularly in emerging markets. More

people have access to a range of products and services to save, to invest.

And there’s been a technological revolution. We went from thinking about banking as a physical structure with tellers, to actually banking through our smartphones and apps. Whether it’s the front-end and the customer experience, the way the back-office operation works or the way in which you do credit scoring, we’ve automated and employed the latest technology.

We’ve also seen another revolution: the green revolution and an embracing of sustainability. While this is divisive in the US, so many other jurisdictions

Few would know better than **TIM ADAMS**, President and CEO of the Institute of International Finance, whose members span 60 countries and include the most recognizable names in the industry.

**HIS ANSWER: TECHNOLOGY**



are moving ahead quickly. For the global economy to make a transition to a low-carbon or decarbonized world by mid-century, estimates are we'll need anywhere between \$2 trillion to \$6 trillion annually. Wherever that money comes from, it's going to be intermediated through financial institutions or capital markets, so our industry will play a huge role in the shift toward a more sustainable global economy.

### Is that one of the reasons the IIF lists sustainable finance as a top priority?

There are a large and growing number of business opportunities for our member firms in this space. If a \$100 trillion global economy is going to transition to a different energy mix at a historic pace, you've got to pay for it. And the financial services industry writ large—capital markets, insurance companies, banks, venture capital—are instrumental to intermediating the trillions that are going to be necessary.

Just think about the IRA [Inflation Reduction Act] here in the US and how transformative it could be, should be, and probably will be. Finance will play a massive role in facilitating the federal funding across the associated industries that will feed into it.

If you look globally, it is an unstoppable process in which most of the advanced world and most of the emerging world is moving—not in lockstep—but toward a collective objective.

### Companies, particularly in the US, are walking a fine line with elected officials and policymakers when it comes to ESG. The right is accusing companies of “woke capitalism” and the left is pushing companies to go further. How can companies navigate this difficult landscape?

I'll start with climate. I think it's really about being honest with all parties, and saying it's a transition. Jamie [Dimon, CEO of JPMorgan Chase] and other leaders have talked about this. We're going to need fossil fuels for decades to come. If you look at the IEA [International Energy Agency] or the IPCC [Intergovernmental Panel on Climate Change], they assume and expect a continued reliance on fossil fuels for decades.

It's not a cliff effect. It is a transition, and it has to be a just transition. There are 10 million people in the United States employed in the fossil fuel industry up and down the supply chain. You have states like Texas that get \$20 billion a year in taxes and royalties from fossil fuels. The idea that you are going to turn something off tomorrow is fanciful thinking. We need to tell both sides that it's not the scary thing they think it is.

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More broadly, there's an enormous amount of exaggeration of the phenomenon that's described as the “woke CEO” who's imparting their personal political values in the DNA of their organization. Does it happen? Sure. The corporate sector is huge. But by and large, what you see are leaders across the industry wisely thinking through and listening to their investors, employees, customers, suppliers and partners. They are looking at this in a broader sense of capitalism. As Brian Moynihan [CEO of Bank of America] said: It's about profits and purpose.

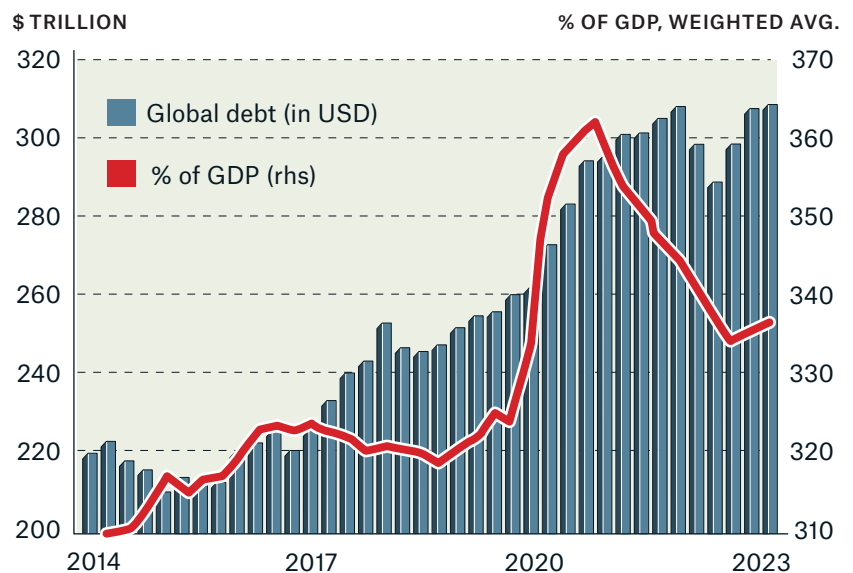
You cannot stay in business if you don't listen to your customers or investors. You can't attract the best talent if you don't understand their values. Each firm is part of a different ecosystem with a different set of values, and they, the C-suite, need to reflect the values of that system.

I'll use my two teenage children as an example. They won't buy products from companies that don't reflect their personal values—if supply chains use forced labor, or if materials aren't sustainable, they won't be a customer. There are companies that are going to appeal to them, and there are going to be companies that say, “We don't want your business. We're going to appeal to someone else.” To me, that's just the market economy at work.

And ESG, the term which has become so incredibly electrified that now people don't want to use it, is just a metric. It's a tool to measure the risks embedded in many of these firms and an understanding of

## IIF RESEARCH

In September 2023, the IIF's Global Debt Monitor reported that global debt stocks had risen by more than \$100 trillion over the space of a decade.



SOURCE: The IIF Global Debt Monitor, “In Search of Sustainability”

that risk on the balance sheet. As an investor, I want to know what those risks are. Again, this is capitalism at work—empowering investors to know who and where and how to invest. That’s the heart of a market-based system.

It’s unfortunate ESG has become demonized, and that the political system has decided to weaponize it in a way that I think benefits no one. In fact, it distracts from some real issues we need to grapple with.

**Speaking of issues—what are your takeaways from the collapse of Silicon Valley Bank and the surrounding crisis we saw in the financial sector? What’s the right remedy moving forward?**

Going back to your first question, about how the world has changed in 10 years—we’ve added trillions of capital, trillions of liquidity to the system. We’ve stress-tested it. The banking system—and IIF represents more than just banks—is different than it was during the Great Financial Crisis thanks to greater regulation, greater oversight, more muscular supervision. It’s more robust and harder, and that’s what we witnessed in February and March.

There were a couple of days there I thought, “OK, this is a real-time stress test.” And the system came through with flying colors. The firms that had problems were idiosyncratic business models. Each had a unique story, which I think in retrospect reflected a firm that wasn’t well run or supervised.

When you have 4,700 banks in the United States and four of them end up not performing well, we need to focus on the fact that the system worked. And the system worked globally. You have 11,000 banks that are a member of SWIFT [Society for Worldwide Interbank Financial Telecommunication; a global financial messaging network]. If you have a broad definition of financial institutions, there are over 30,000 institutions globally. They all opened for business and continued to lend.

My concern is a few idiosyncratic institutions and the Basel process are being used as an excuse for a broad-based, and fairly aggressive, set of regulatory changes. That’s puzzling and a bit of a disconnect. And if that’s what the Fed wants and the FDIC wants, they should just be explicit about it. This isn’t about Basel. This is about something a whole lot more.

We need to empirically evaluate these different proposals on a cost-benefit analysis, and they should implement what makes sense. But I think some of this is driven by the false narrative that capital requirements are the solution to every perceived problem. And some of the problems they’ve cited weren’t the problems that have been touted.

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**MOLLY MILLERWISE  
MEINERS** is a Brunswick  
Partner based in Wash-  
ington, DC. Previously, she  
served as Chief Commu-  
nications Officer of the US  
International Development  
Finance Corporation.

**You’re connected with CEOs across the industry.  
What issues are keeping them up at night?**

Technology is always a point of discussion. How should they think about cyber-resiliency and cyber-intrusion? That’s a constant battle. Some individuals, state actors and non-state actors are all looking to penetrate the system and institutions. It’s an arms race, and institutions are spending billions to try to stay one step ahead of the bad actors. And on top of that they have to layer geopolitics. If you’re a Swedish or Finnish institution and your countries have joined NATO, might you be concerned about Russian retaliation? Those concerns—technological, geopolitical—are ones we hear about frequently.

Leaders are also talking about their technology spend: What are they spending on? How do they ensure a good ROI? How do they spend their technology budget in a way that allows them to compete not only with competitors, but also other technology platform companies that now provide financial services or financial intermediation? This is especially critical as so much financial intermediation is occurring outside of the regulated banking system.

So it’s an arms race both on the offensive—staying ahead of the criminals—and defensive. How do you ensure you have the latest and best technology? You’re seeing major banks spend \$10-plus billion a year on tech. But what if you’re a mid-tier bank or a smaller institution? How do you keep up or compete? How do you provide the experience that customers want because they are used to the great services they get on their apps today?

And then there’s the pace of change. If you go back to January at our board meeting, we really didn’t talk about ChatGPT or AI. But over the last four months, I’ve toured the world over and found AI to be the number one topic among CEOs. Just keeping up with the issue of AI, particularly Generative AI like ChatGPT, has become a full-time job.

The regulators themselves are also struggling to keep up with AI because of its black box attributes. You can’t back test it. So, the people who supervise and regulate it, as well as the industry, are all struggling with how to embrace this technology. How do we put it to work? How do we afford it? How does it integrate with our current legacy systems? What are the pitfalls? What are the guard rails?

So, while technology is keeping them up at night, it’s also a great opportunity. This a truly revolutionary time—and not just for our industry, obviously. Those who can navigate this, spend wisely, pick the right technologies and implement them in an efficient, effective way are going to be the winners. ♦



## LONG BEFORE KATY GEORGE BECAME

McKinsey's Chief People Officer in 2021, she was focused on people angles. In a 2018 video, for instance, she argued that low wages aren't the primary attraction for US manufacturers moving operations overseas. "They're going outside to find more skilled workers, to find more modern factories, to find companies better at using new technologies and automation," said George, a Senior Partner at McKinsey. "By investing in our workforce capabilities and new technologies, we can reverse that."

Her years of experience as a McKinsey consultant and first female to lead the firm's Operations practice means that George brings an operational mindset to her role as Chief People Officer. To increase productivity, morale and retention, what works? Demonstrably? Provably? In the wake of a pandemic that obliterated traditional patterns of work, such questions have never been more relevant.

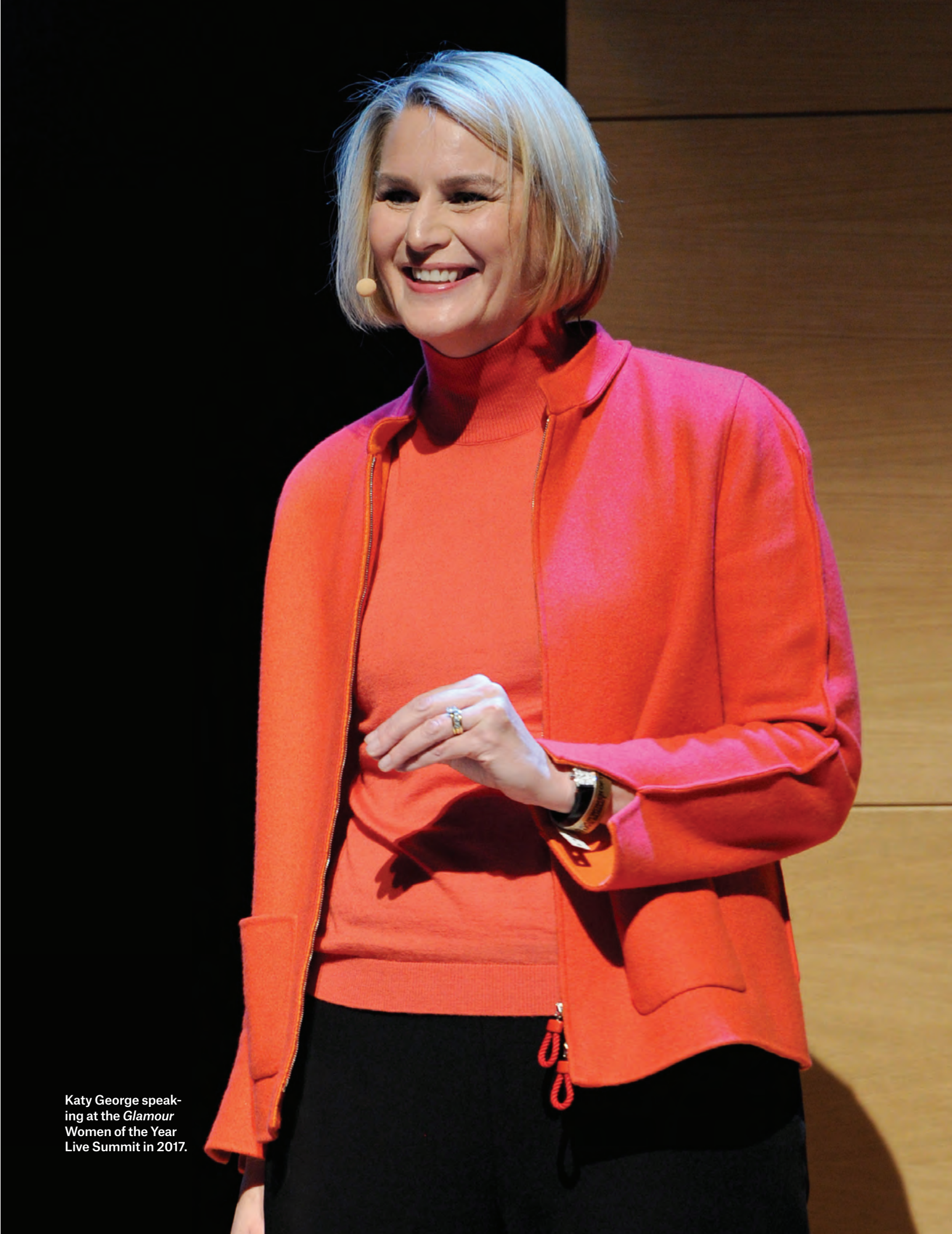
"I feel really privileged to be in the talent space during this once-in-a-multi-generational kind of disruption in talent models," she says. "When things are thrown up in the air, we have the opportunity to shape how they come down again, and hopefully make things better."

As Chief People Officer of a global firm with more than 40,000 colleagues, George is able to use McKinsey as a giant laboratory, employing the outcome-tracking skills she developed as a consultant to examine the most pressing talent-related questions facing business: How much flexibility is ideal? What is the impact of flexibility on productivity, on quality, on client feedback, on team-skill acquisition? What are the labor implications of Generative AI?

Other firms armed with such insight might keep it proprietary. But McKinsey is in the business of sharing advice and insight, and George in particular stands out for her ability to connect with audiences both live and online. The holder of a Ph.D. from Harvard in business economics, George is a 28-year McKinsey veteran, and a proud mother who enjoys making a five-layer Kahlua chocolate cake. George spoke with Brunswick's Michael France, a Partner in the firm's New York office.

# Katy George

When it comes to how, when and why we work, McKinsey's Chief People Officer is the voice of the future.  
By **MICHAEL FRANCE**  
and **NOAM SAFIER.**

A full-body photograph of Katy George, a woman with short, light-colored hair, smiling and speaking into a small lapel microphone. She is wearing a bright orange turtleneck sweater under a matching orange zip-up jacket with a ruffled hem and cuffs. She is also wearing a black skirt. Her right hand is raised slightly, showing a ring on her ring finger and a watch on her wrist. The background is a simple, light-colored wall.

Katy George speaking at the *Glamour* Women of the Year Live Summit in 2017.



**It sounds as if your research will please neither those who want a near-complete return to office nor those who want near-total flexibility.**

Our research, during and post-pandemic, suggests that people, now more than ever, demand work that's connected to purpose. Individual purpose. Purpose of the employer. That used to feel soft and fuzzy. Now, as employers, we're all experiencing it as "edgy." People are also demanding more flexibility around in office/not in office, and also in their own skill development. They are demanding more control over their career path and their career opportunities over time. "Have I learned something?" "Am I building skills?" "Am I becoming more marketable?" "Am I working toward my goals of what I want to do with my career?"

We have researched how different choices that our teams make play out in terms of outcomes. We have a unique kind of sandbox. With 4,000 teams around the world, we can experiment and measure to find out where they're working and how they're working, and the effect on outcomes.

Our research shows that teams that were together at least 50% of the time experienced significant increases in the excitement of the team, in the sense of connection and belonging, and in retention. We see real evidence that these people grew, in terms of their skills and apprenticeship opportunities, more than if they were working primarily remotely. By 50%, that's over the course of a multi-month period. It doesn't necessarily mean two days a week.

In addition, every year we survey all of our colleagues to ask, "Who are your sponsors and mentors?" "Who is making opportunities for you?" We also ask about the satisfaction with the support that they're getting. What we find is that colleagues who are primarily remote have the same number of sponsors and mentors as the people who are in person—but the satisfaction is much lower. In terms of the kinds of opportunities that people are getting, our research shows those who are in person at least 50% of the time are enjoying more opportunities to grow.

This is not something we're imposing. Rather, we share this information, then leave it to each team and team leader to try to devise schedules that maximize people's flexibility when it's needed, but also gets people all together in person enough to drive all these great outcomes.

What's super-interesting is that greater than 50% in person doesn't produce a linear increase in all of those great outcomes. We're gathering more data that could change or complicate the picture. But our initial research suggests that there's a magic

*"When things are thrown up in the air, we have the opportunity to shape how they come down again, and hopefully make things better."*

sweet spot in being in person half of the time over the course of months. There is anxiety around winners and losers, around whether we're going to make people come in. But what really matters is how you're creating collaboration, fostering innovation and providing helpful feedback.

Some assignments—those requiring intense individual focus—may best be done remote. On the other hand, our research shows that in a remote environment, it's harder to have tough conversations, and to conduct breakthrough kinds of problem-solving. Our best teams are the ones that are figuring out how to combine and get the best out of both modalities.

Too often, we see companies that force people back to office to do exactly the same work in exactly the same way as they would have done at home—except now they have the hassle of a commute. Forcing people to commute is not going to nurture a great culture, a great sense of belonging or a great level of productivity. That's when people will say, "I'm going to look for a different job where I don't have to do this commute."

It has to be about changing the way you work, and really being thoughtful about the kind of work you do in person versus remote. There are clear benefits from different ways of working, and you should take advantage of all of those.

**Do the benefits of in person versus remote vary according to where you are in your career?**

Oh, 100%. Often, when we're talking about culture, we're really talking about in-person apprenticeship—seeing how people do things, how they behave in a meeting, being able to talk about it in the hallway afterward.

Our younger colleagues, people who are beginning careers, have lost out by not having those experiences. Certainly, those of us who are more senior often find we can be very productive by Zoom, but we're drawing on the social fabric that we had established previously. But no matter where we are in our career, we are all still learning and we need to learn from each other. That social fabric is core to how we interact, how we have tough conversations, how we live by great values, how we form alliances and alignment in order to get good work done. That requires serious investment and I don't think we've found a substitute for in-person.

I also think we're already seeing a reinvention of work—more offsite, more meeting events expressly for the purpose of creating that social fabric while getting stuff done. As opposed to, "You must come into the office to sit on Zoom calls all day."

People at all levels must be more purposeful about reaping the benefits of being in person. “How do I make sure I get those benefits?”

The most acute losses in an entirely remote environment are definitely for early-career folks. But senior, more-established people have also experienced gaps from the loss of in-person time together, such as a breakdown in vital social networks or learning new skills.

**I know you’ve written about burnout. How does it play into this calculus?**

Hybrid work should be something that can support better mental health and better life-work sustainability. But I think we’re still learning how to really do that and to change our work practices to do it right.

At first, many of us thought working at home would give us more time to exercise and so on. But quickly we found that, actually, we were working round the clock without the geographical transition that used to help keep us sane. Then you see all of the studies about how Zoom meeting after Zoom meeting can create its own kind of burnout. There are some downsides to manage.

**How is GenAI going to change our discussions not only about where we work but how organizations are designed?**

There are still a lot of open questions: Will we need more experts or fewer? I’m not sure yet. I heard somebody make a very passionate case for why people will need to have even more deep expertise. I’m not sure about that. Actually, they need to be better integrators and questioners.

At McKinsey we’re aware that if we decided to substitute all of our junior consultants for GenAI, soon we would not have senior consultants. We also know that GenAI cannot do some of the work that senior consultants are doing, in terms of really counseling CEOs. Certainly all consultants, including senior people, can be aided by GenAI, but there are things that GenAI cannot do.

This is my personal view, it’s not a McKinsey view, but when you look at other innovations that were supposed to be huge productivity-enhancers, what you saw was a dramatic change in the way we work. But it didn’t actually take a lot of work out of the system.

With the advent of email, many said, “Oh, my gosh, this is the most incredible productivity-enhancer. We’re going to have to go down to working three days a week.” What happened? We just do more work, and that work is value-add. Well, some could

*“Hybrid work should be something that can support better mental health and better life-work sustainability. But I think we’re still learning how to really do that.”*

argue whether the extra work is worth it. But we basically hold the bar higher for what we are going to get done and we use the productivity tool to do that.

I remember seeing a study of washing machines and dishwashers and vacuum cleaners when they came out in the 1950s. At the time, people thought, “This will be unbelievably liberating for the housewife. She’s going to play tennis all day.”

What happened? The world moved from a once-a-month cleaning cadence to once a week.

I think our junior people will find wonderful things to do using GenAI, and we will be looking for junior people who are great at using GenAI and who stay on the cutting edge of that. For McKinsey, my hope is we’ll see junior and senior people spend a lot more time with clients, in terms of really coaching and helping drive implementation, drive learning, drive alignment in ways that we’ve always said, “Oh, we wish we had more time to do that.”

By the way, McKinsey has developed a proprietary Generative AI tool called “Lilli,” which is our first and pretty significant step into GenAI for our consultants. We are still in a trial period but already have something like 7,000 users.

**Is there an element of the workplace discussion that you think should receive more attention?**

COVID and its effects have put a real spotlight on the fact that we do not have a good way of measuring productivity of knowledge workers. That’s quite a gap. Forever, we have used “watching people work” in our offices as a proxy for “managing productivity.” I hear people saying, “If somebody’s not in the office, how do I know if they’re not just spending all their time with their kid, or shopping?” “How do I know that they don’t have a second screen and second job?” (And we know that’s happening with some employees, right?)

The question should be: What is the expectation of the work that should get done in a day? In a week? In a month? How do you manage expectations in an inspiring way that actually drives productivity and performance? As my colleagues recently wrote in their book, *Power to the Middle*, this will, in part, mean investing in frontline managers who, due to their unique position between employees and senior management, will have a big role to play in the future of work.

The winners will be those who figure out how to drive real performance through their people. ♦

**MICHAEL FRANCE** co-leads Brunswick’s global Industrials and Infrastructure sector. **NOAM SAFIER** is an Account Director. Both are based in New York.



**A**S THE NEW CHIEF EXECUTIVE OFFICER OF Starbucks, Laxman Narasimhan found himself in recent weeks spending days and nights in a Seattle hospital, taking care of his 82-year-old mother after a severe illness. Prior to taking over as chief executive, Narasimhan had undertaken a six-month immersion, steeping himself in Starbucks' business and culture, training to be a barista and visiting countless Starbucks locations. He had made news by vowing to work a half day every month in a Starbucks store, strapping on his green apron, making drinks and serving customers.

So why not work a shift at the Starbucks in the hospital, which had become his second home? You might think a hospital too peculiar a location to offer up wider lessons about coffee and coffee shops. But for Narasimhan,

# BARISTA

the hospital Starbucks was a revelation, beginning with the relief that its logo clearly brought to the faces of visitors and patients entering the shop. "In the strangeness of the hospital environment, the familiarity of Starbucks is a great comfort," says Narasimhan.

What most struck him, though, was a sense of something like camaraderie, as customers and partners, as Starbucks calls its employees, shared news about birth and illness, recovery and death. It was, he says, a "cauldron of human emotions." Narasimhan found that the partners embraced him like family. And he ran into doctors and nurses from their rounds who came there too.

"Our customers have a connection to Starbucks, and that connection is strongest when the face of it is your favorite barista," he says.

Narasimhan's hospital experience brings to mind a signature message of his first year at Starbucks. "With every cup, with every conversation, with every community—we nurture the limitless possibilities of human connection." That's Starbucks' new mission statement, launched in April.

"We live in a world that is lonely and highly disconnected; there's just a desperate need for togetherness," Narasimhan says.

Narasimhan is a former McKinsey star and top PepsiCo executive who had orchestrated a turnaround of London-based consumer goods company Reckitt last

# in CHIEF

Meet **LAXMAN NARASIMHAN**,







father, husband, son—and now CEO of Starbucks. By **NIKHIL DEOGUN.**



year when he accepted the top post at Starbucks. After 30 years of leading or advising consumer-facing brands, he is tackling an enviable challenge at Starbucks—evolving and modernizing the brand, the business and culture to meet the needs of today. Both at inside counters and drive-through windows, he says, Starbucks can provide a point of human connection, a bright spot in a customer's day.

Narasimhan realizes that his emphasis on human connection, on Starbucks as a catalyst for togetherness, could sound naive, and he's OK with that. Ridicule doesn't scare him. He began his first Town Hall as CEO by asking everyone to close their eyes and focus for three minutes—three silent minutes—on their breath, to get centered. "I thought, when I opened my eyes, people would be laughing at me," Narasimhan recalls. "But they were going with me. They knew that coffee is a way for us to connect with ourselves, and through that, connect with others." Now, it's not uncommon for Narasimhan, a years-long meditator, to open meetings with a period of silence.

Like the hospital experience, his family has been influencing his career for three decades. Certainly his career affected his family. He and his wife have lived in 25 different homes in 29 years. "I could not be here without my wife's support." Family was a huge contributor to the drive that propelled Narasimhan to America from his hometown of Pune, India. Despite a lack of financial means, Narasimhan graduated from business school and over the three decades that followed, built a series of accomplishments that brought him to the attention of Starbucks.

Drive may be a complex phenomenon to dissect, but Narasimhan traces the source of his to his family. Before he was born, his sister died. Then when Narasimhan was 6, his 8-year-old brother died following a long illness. The death of his siblings left Narasimhan feeling extraordinarily obligated to his parents. "I never wanted them to miss my brother or my sister," he says. "Being an only child who was not an only child, making up for the loss of my siblings—that's what drove me."

Early on, his resources falling far short of his ambitions, Narasimhan discovered that his openness to connection made him subject to the kindness of strangers, or near strangers, who helped him out along the way. It's no secret, of course, that opportunity flows from human connection. He believes it's what distinguishes the Starbucks experience, along with great coffee, food and service.

A close look at Narasimhan's career might give rise to an intriguing question: Did his success come



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in spite of his devotion to family, or because of it? For Narasimhan, it's an irrelevant equation, because he made a vow to his dying father. As their only surviving child, "I promised him I'd take care of my mother," Narasimhan recalls.

Narasimhan moved to London in the fall of 2019 to take charge of Reckitt. When COVID struck, he was isolated in London with his mother, while his wife and children were living in New York (a decision made when travel across the Atlantic was much easier).

In September of 2022, barely three months after *The Sunday Times* published a glowing assessment of Narasimhan's performance at Reckitt, Starbucks announced it had hired him as its next chief executive officer.

In Narasimhan, Starbucks was gaining a results-getting consumer-brands veteran. From Narasimhan's point of view, who wouldn't want to run Starbucks, the Seattle-based global coffee purveyor? "It might be the best job in the world," he says. Starbucks stock rose on the news.

To once again live in the same country as his wife and children? "That was definitely a driving factor," says Narasimhan. In a conversation with Brunswick CEO of the Americas Nikhil Deogun, a fellow native of India, Narasimhan tells the story of a journey that turns on human connection, leading him at length to the office of Starbucks chief executive.

**Most CEOs aren't hyper-focused on connection. It seems like not only a business priority for you, but also a personal one.**

My upbringing definitely played a role. To connect with someone, you have to first signal that you're open to it. I'm not afraid of that kind of rejection.

When I was 4, 5 and 6 years old, I would awake some mornings in a strange house. My parents, needing to rush my brother to the hospital in the middle of the night, had dropped me off at a neighbor's or a friend's house. What I discovered those mornings was that I could connect with the people in whose home I'd awakened.

At Starbucks, drop me into a store anywhere and I am confident of my ability to make connections. And those connections have been an important part of how I lead. I've connected with people in our stores, distribution centers and even our own coffee farm. It became clear those connections were not only helping me as a leader of the company—they were at the heart of the company. COVID was tough on Starbucks. It challenged those connections. We are focused on rebuilding that fabric: internally and



externally. More than ever, the world needs the type of connection we strive to make at Starbucks.

**After graduating from the College of Engineering in your hometown of Pune, India, you had a job in India, you were getting promoted, rising fast—how did you wind up coming to America?**

I almost didn't finish college. When I was 19, my father suffered a debilitating illness. The doctor in charge told me to drop out of college and begin to work at my father's struggling entrepreneurial venture. But my mother told me to ignore the doctor. "We're going to live off my primary school teacher income while we figure these things out."

All my friends had gone to America to study. For me, after my father got sick, that didn't seem like an option. I was working and finishing college, getting home at 9 every night and helping take care of my father. I never went to a party. I never stayed out late; I didn't think my parents could take the thought of me having an accident.

After I graduated, my father made me accept a job at a company that said it would send me to America

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for three months to train on a shop floor. He said, "You'll never go to America otherwise." My first experience of America was Florence, South Carolina, on the floor of a factory assembling machines we wanted to build in India. Returning to India, I thought, "America—amazing land of opportunity."

A year later, as I was returning from a business trip, I bought a book in the airport about the 10 best business schools. I decided to apply to the top five. If I didn't get in, who cared? I studied for the GMAT on the trains and buses of India, on sales trips. I took my GMAT in a Mumbai school in a crowded neighborhood, during a religious festive period, with horns blaring and loud music. I thought I did very badly.

I wrote my application forms on trains, by hand. Then I went to the home of these three sisters who had a small electronic typing shop. When I'd typed up the applications, I handed it all to my mother to mail. She sent out four applications—except the one to Harvard. She did some research on Harvard and she thought it would be tough going, so she did not mail it. I still have that application in my files.

I got accepted by the Joseph H. Lauder Institute at the University of Pennsylvania. I arrived in Philadelphia with two suitcases and a pressure cooker, which my mother thought I needed. I tried influencing some people in India to trade working for them for five years if they paid for me to go. That did not quite work. But then, the Lauder family helped me, as did this incredibly kind Indian family I had never met, the Shivdasanis, who interviewed me out of pity, wanting to gently turn me down, but in the spur of a moment decided to loan me money. My Lauder classmates chipped in to help. They were students too—which is why they remain like family to me.

**Out of Wharton you joined McKinsey—after turning down Bain?**

Mitt Romney was the CEO of Bain at that time. They flew me to Boston to have dinner with Romney at his house as part of the "sell weekend."

The Bain offer was intriguing. But I told Romney that I also had an offer from McKinsey, and McKinsey was talking about opening an office in India. "You see, my mother's alone in India, which helps if I am compelled to go back," I told him.

Romney said, "We do have some thoughts about opening an office in India, but it's not a plan, and it's not approved. If it's important to you to go look after your mother, you should go to McKinsey." I doubt he remembers that, but I have so much respect for him for telling me the truth.

I moved to India in 1994 as part of McKinsey



to help open the Delhi office and to help out my mother. For the last 26 years, she has lived with us. My wife has been amazing with all of this. It's been tremendous for our family.

**Over the decades, you moved to various cities around the world, you learned to speak six languages, you even returned to India a second time years later—in the process turning down an offer from Indra Nooyi to join PepsiCo. Four years later you did join her there. You seem to have a need for new challenges.**

Every five to seven years I've done something different, something entrepreneurial, even if I'm at the same company. I have a need to renew myself.

At McKinsey, with some encouragement, I started the consumer practice in Cleveland. At first, it felt tough because I had no clients, but then came a few significant new clients. My 19 years at McKinsey had a consumer and retail focus, but I had three or four careers in those 19 years. Then, of course, came PepsiCo, where I held several leadership roles, across multiple geographies, including Global Chief Commercial Officer.

The move to Reckitt also had a powerful brand component. Reckitt is a terrific company. Its household disinfectant, Dettol, is a big brand in India, and was very well known to my mother, from all those years of her caring for my brother. But there's no brand as iconic as Starbucks.

**Your journey to Starbucks feels like it is shaping how you now lead Starbucks.**

I spent my first six months at Starbucks "behind the bar." It was an explicit part of the design of the transition co-created with founder Howard Schultz and independent board chair Melody Hobson. I earned a "green apron" and my management team and I are collectively training to be certified "Coffee Masters."

I think if you're going to lead our partners, it's important to understand what it means to be a partner—they're the heart of our company and I want to understand their day-to-day experiences. That's why I continue to work in stores. I want to be the partners' CEO.

Partners have also been at the heart of how we continue to honor the heritage of our company, while also modernizing our business. Speaking of heritage, Starbucks has always been a different kind of company. Now the question is, how can we continue to be a different kind of company while evolving to operate in a different kind of world?



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AND A FACTORY  
IN THE BACK."**

**NIKHIL DEOGUN** is Brunswick's CEO of the Americas and US Senior Partner. Previously, he was Editor in Chief and Senior Vice President, Business News, at CNBC.

Part of that involved getting back to basics. We've updated our mission. We have contemporized our promises to our partners, customers, farmers, communities, shareholders and to the planet. We refreshed our values. We will deliver performance through the lens of humanity—a beautiful sentence from our past. We are now clear about what that means in what we value: craft, results, courage, belonging and joy. The last two in particular are very Starbucks.

To do this, we're asking our partners to embrace a mindset of empathy, growth and "no eggshells." Our partners are very much involved in the process.

**From your time working in stores, what have you learned, and what surprised you?**

I was struck by how much our partners care about our customers, by how passionate they are about coffee, by how much they know about coffee. I learned what we do well, and I learned what we could do better—scheduling and supply chain issues, for instance—improvements all in the service of simplifying life for our partners in the store.

**How do you plan to keep the brand relevant?**

Over our history we've done a fine job of elevating the brand, and that will remain a top priority. It starts with a foundation of operating strongly—after all, we are a theater in the front, and a factory in the back. At the heart of our brand elevation are high-quality products, innovation, store and product design, and customer engagement. We have 36,000 stores whose walls—inside and out—can elevate moments with art. We've always had a heritage with music, expect more of that. Our brand is delivered through nearly half a million partners. They have unique talents and Starbucks can be a great platform for us to showcase what they create. You can expect us to also strengthen and scale digital, be a lot more global, more efficient and reinvigorate our partner culture.

**How does your childhood, and your journey since then, influence the role you see Starbucks playing in the lives of your partners?**

Our partner promise is to bridge to a better future. I've benefited enormously from help I have received. Starbucks can do wonderful things for our partners. Our Starbucks College Achievement Plan—a Howard Schultz innovation—is a great example.

My personal mission is to help actualize even more ways to build this bridge. If we can quintuple the impact we have, we'd make a material dent in society. That is my ambition. ♦

**K**ENJI YOSHINO AND DAVID GLASGOW ARE the founding directors of the Meltzer Center for Diversity, Inclusion and Belonging at New York University School of Law, working to promote healthy attitudes toward DEI in organizations in and out of the legal profession. They are also the co-authors of a new book, *Say the Right Thing: How to Talk About Identity, Diversity, and Justice*.

Yoshino is Chief Justice Earl Warren Professor of Constitutional Law at NYU School of Law and the author of three other books. Glasgow is a lawyer with a specialty in anti-discrimination law, and was previously an Associate Director in the Public Interest Law Center at NYU. Their book focuses squarely on a core problem in DEI conversations in

Co-authors  
**KENJI YOSHINO**  
and **DAVID GLASGOW** think people would be more eager to be allies in DEI conversations if they weren't so afraid of saying the wrong thing.

looked around for books on this phenomenon and we couldn't find any. So, we ended up starting on a book ourselves."

The result is a practical handbook on the dynamics of DEI conversations. The key to moving past the fear, the authors say, is adopting a growth mindset, accepting and learning from one's mistakes.

A solo author on his three previous books, the collaboration on this one proved more inspiring than Yoshino anticipated. "I had some hesitancy," he says. "What if we don't see eye to eye? But my concerns evaporated. If you find the right co-author, co-writing is just a magical experience. Writing is an inherently lonely activity when you're doing it on your own. But it became a kind of social activity. So this was a real joy for me."

**How does this book speak to this moment in our culture?**

**DAVID GLASGOW:** The social psychologist Jennifer Richeson has a concept she calls the "democratization of discomfort." These conversations about identity issues have always been intensely

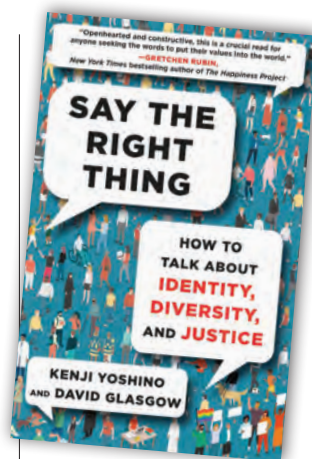
# Canceling CANCEL CULTURE

the workplace and elsewhere: the fear of saying the wrong thing.

The book draws on the work of many scholars and researchers in a wide array of fields, yet is written for a general audience, eschewing the highly specialized tone of academia and the legal profession in favor of language that is simple and direct.

"I remember a couple of early draft chapters that our editor sent back and said, 'You guys write like lawyers,'" Glasgow recalls. "So clearly we had to do a little bit of work."

"About four years ago, we started working on allyship," Yoshino says. As an ally, a person belonging to the majority in a situation seeks to empathize and assist those who may be feeling marginalized. "But one of the things that we kept coming up against is people saying, 'I'm delighted to be an ally, but I'm also just terrified of saying the wrong thing and hurting someone I care about or getting canceled myself. How do I get beyond that kind of really stymieing fear of saying the wrong thing?' We



uncomfortable for people who belong to marginalized social groups—people of color, women, members of the LGBTQ+ community and so on. But the people on the other side of the conversation, the historically dominant or majority groups, have been able to sort of either avoid these conversations or not worry about them too much. She feels that, more recently, that sense of discomfort has been democratized by being spread over to even the majority or dominant groups. They now also worry about what's going to happen in these conversations, like someone getting hurt or feeling canceled.

That pervasive sense of discomfort is a real cultural shift. Everyone is feeling like they need tools for how to handle these dialogues.

**KENJI YOSHINO:** The political writer Matt Yglesias talks about this moment in time being the "Great Awakening"—"woke" in the original, positive sense. People in the majority are stepping up more as allies. White individuals are going to Black Lives



Matter rallies; straight and cisgender people are sticking up for people in the LGBTQ+ community; people without disabilities are standing up for those who have disabilities. He feels that allyship is one of the most promising trends in diversity and inclusion—and we agree.

**The book is laid out very simply, with one problem and seven principles for dealing with it. How did you arrive at that?**

**KENJI YOSHINO:** We originally set out organizing it in three parts around what we tell ourselves about identity conversations, what we tell the affected person and what we say when talking to both the affected person and the source of the non-inclusive behavior. But that approach seemed to create as many problems for us as it solved.

So we went back to first principles, looking at the traps people fall into that cause that fear in the first place. We had identified these four conversational traps and so they became the problem we lay out at the beginning.

The first chapter gives examples of what we call “impossible conversations,” where people are trapped in predictable and uncomfortable ways. Then the seven general principles. The first two deal with resilience and curiosity. To be a successful ally, you’ll need both. Then we have two chapters on how to handle disagreements and apologies, with the goal of allowing the other person to feel respected.

So far, those seem like almost a passive form of allyship—an approach that emphasizes “do no harm.” To move from “do no harm” to “doing good”—a more affirmative, proactive approach—that’s where the last two principles come from: “Apply the Platinum Rule” and “Be Generous to the Source.” Those suggest that you think deeply about the person you’re trying to help and your relationship with them and, in the second, that you apply that same process to the source of the non-inclusive behavior.

We do worry a lot about cancel culture. We want to move to what we call a “coaching culture.” We want to be able to expect and even welcome mistakes, so long as you’re a person of good will, which most of us are.

The reason you need to be an ally to the source of non-inclusive behavior is because someday soon that will be you. People assume that they get to sit in the ally position for all time. But this is a game of musical chairs and we’re all going to be in all three of those positions at some point: ally, affected person and source.



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**Kenji Yoshino**

**You frequently use yourselves as examples in the book, learning from mistakes you’ve made.**

**KENJI YOSHINO:** I’ve made every kind of mistake that you can make—I’ve confused names of students repeatedly in my class, I’ve misgendered students. And I’m a D&I professional. You would think by now I would have learned not to make those mistakes. Yet I still somehow find new ones or fall back into old ones.

David mentioned the “democratization of discomfort.” When we talked to people about why they aren’t more available as allies, we realized everyone was talking about this agonizing discomfort. Right at the top of our resilience chapter is a section on adopting a growth mindset. People with a growth mindset believe their capabilities can be improved. It relies on accepting that you’ll make mistakes.

We lean on the work of our dear friend and colleague Dolly Chugh, who is at NYU’s Stern School of Business. She asks: If we all know the growth mindset beats the fixed mindset, why in this one domain of D&I do we insist on falling back into the

fixed mindset, where we think we already know all there is to know? The answer appears to be that it's because the threat of making a mistake feels so dire. If you make a mistake in a law class or a journalism class, it's no big deal. That's how you learn. But if you make a mistake in an identity conversation, it feels like it's not something you *did*, but something that you *are*—like you've been exposed as racist or a sexist or a homophobe. Some stripe of bigot. That fear keeps you in a fixed mindset and the threat of making a mistake remains enormous.

**DAVID GLASGOW:** One of our driving principles is that we can still hold people to standards and say, "we want you to do better," while we extend grace and generosity to each other and to ourselves for the kinds of mistakes that we all tend to make. That way we can all learn and improve, rather than have it just be about fear.

#### Do you have favorite lessons from the book?

**DAVID GLASGOW:** In a disagreement, a mistake that we've noticed people often make is not recognizing that they're thinking about the disagreement in a way that may be quite different from the affected person. We introduce a concept that we call the controversy scale. Think of it as a spectrum, a line from left to right where the farther to the right you go, the more difficult the disagreements become. On one end, you have disagreements of taste. Those are easy to accept—you like chocolate, I prefer vanilla. Then you have disagreements over facts—still pretty easy to accept, as long as it's not "alternative facts" to suit your ideology, but rather trying to focus on what actually happened. Past that, you get into disagreements over values, which are more difficult. And lastly, you get questions about a person's basic humanity—very difficult.

Two people will locate the disagreement at different points on that spectrum. A woman says, I think I was being talked over and ignored during that meeting. You describe what you saw and heard—facts. She feels it as a challenge to her role as a woman in that meeting—an issue closer to basic humanity.

What we encourage people to do is to acknowledge where the other person might be on that controversy scale, to actually say, "I want to honor that, for you, this is a more personal topic. Please tell me if I'm not acknowledging that adequately." That acknowledgment displays some basic empathy that enables you to have a more respectful disagreement.

**KENJI YOSHINO:** In the "curiosity" chapter, we came across a scholar, a philosopher, Kristie Dotson, who writes on identity issues. She said the



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David Glasgow

biggest challenge in these identity conversations is that sometimes you just don't know what you don't know—you're ignorant of your ignorance. Her approach is, "Put yourself in a nuclear physics seminar scenario, as somebody who doesn't belong to that field." In that situation, I would naturally listen very, very attentively and share very, very tentatively—because even though I'm a smart person, this is nuclear physics. I would be more open and respectful of what the other person is saying. Even if I had done all the reading for the class, even if I was totally prepared and *thought* I was prepared, I have to realize that the frame has shifted to where I'm not the expert: It's nuclear physics.

That's become a shorthand for me now, allowing me to very quickly pivot to the position of humility that I need in order to remain curious and open, where before I might have struggled with that. That is going to be helpful to me for the rest of my life. ♦

**CARLTON WILKINSON** is a Director at Brunswick, the Managing Editor for the *Brunswick Review* and a former prize-winning journalist for *TheStreet*.



# Happy Hour

A panel of **BRUNSWICK EXPERTS** discusses the rewards and risks of drinking with colleagues.

**T**HE END OF THE PANDEMIC HAS COLLEAGUES back to sitting together, and on occasion drinking together. The value of that, we're sure, goes beyond research showing a creativity boost among colleagues sharing a beer.

There's also the value of making new acquaintances. "Building your contacts is quite hard to do in the office," says Dan Roberts, a Brunswick Partner with 25 years of experience as a journalist and manager in newsrooms. "There are industries where you are expected to take people out for lunch or meet for a drink after work, and where doing so helps build your network."

"Millions of people across the planet enjoy alcohol as a natural part of celebrating and socializing," says Nick Howard, a Brunswick Partner who leads the firm's Employee Engagement offer in Europe. "What we're focusing on today is the separate issue of irresponsible alcohol use and, narrower yet, irresponsible alcohol use among people who work together."

The *Brunswick Review* moderated an informal conversation between Howard and Roberts, along with Catherine Roberts, a Director in the firm's global Litigation offer, and Isabel Davies, an associate in the firm's Employee Engagement offering. All are based in London and part of a global team who help clients tackle the reputational impacts of workplace misconduct, sometimes resulting from alcohol use.

## Are there fewer drinks being consumed at the office these days?

**DAN ROBERTS:** In our professional lifetimes, there's been a shift away from drinking on the premises.

When I first joined newspapers, there was a bar slightly above the newsroom. All the copy editors used to come in for their shift an hour or two early to drink the subsidized beer, then write headlines and edit copy, which, after a certain number of pints, is no longer a reliable system. At another newspaper, there was a drinks trolley that would go around most Fridays, and people would drink champagne at 3 or 4 in the afternoon with a paper going out that night.

Those days have changed. They've changed because people are not spending that kind of money. They're also recognizing that it's not very healthy, and not conducive to the job they're meant to be doing.

Yet if the actual in-office drinking has nearly gone away, the issue now is the gray area, after-office and semi-social events.

**NICK HOWARD:** It is definitely less normal for alcohol to be consumed in the office now. But it's also true that some offices still operate a bar for employees, and on certain days the first few drinks are free.



The idea behind it is there's a sort of team spirit, where you get to the end of day, you're working hard, everybody goes to the bar, grabs a couple of beers, has a chat, goes back to their desks and carries on. It's a way of bonding, a nice treat for those working late.

**ISABEL DAVIES:** Of course, employers must ban alcohol from environments where it might compromise safety. For example, I've been a consultant in the rail industry, and there safety is paramount. On the topic of alcohol there is no blurred line. You get on company time, on company premises, no alcohol.

**NICK HOWARD:** I once worked with a US manufacturing company that fired someone because they had a crate of beer for a weekend barbecue unopened in their car in the company car park.

**CATHERINE ROBERTS:** As a former lawyer, I tend



ILLUSTRATION: TOMASZ WALENTA

to think about this as a risk management issue. To a company, the question I would ask is: What's your risk tolerance? My take is that most corporate environments are still operating at about a six, or higher, out of 10—10 constituting a serious risk, along the lines of a boozy Christmas party on a boat on the Thames, and one or zero reflecting no alcohol at all associated with the workplace. Weighing against that risk today is the desire to get people back to the office. **ISABEL DAVIES:** Exactly. The desire to get people back to the office, to get young people in particular mixing and collaborating, versus the risk of alcohol becoming a catalyst for misbehavior.

**NICK HOWARD:** We've seen businesses try having it both ways. One offered drinks at a staff party—but rationed them with tokens. You got three drinks tokens and after that, no more alcohol.

Our argument would be if you feel the need to ration alcohol, the problem may be rooted in the underlying culture.

**CATHERINE ROBERTS:** The tokens suggest, "You're not mature enough to deal with alcohol. We're going to treat you like children."

**NICK HOWARD:** What about going to the pub after work? That's a big thing in the UK, particularly in the summer. Walk around London after 5 on a sunny Thursday afternoon and people are standing outside pubs. As a leader, how do you manage groups of employees having a drink? I don't think you could tell them not to. Yet concerns about what's called "workplace conduct" can extend outside the workplace.

**CATHERINE ROBERTS:** If a senior person harassed a junior colleague in that situation, it could be very tricky for a company to argue that it bears no responsibility. The junior colleague would argue that the employer set up the relationship, the dynamic, the workplace culture.

Ultimately, no corporation or business can manage every single thing that an employee *might* do at an event held in the name of the company, or an impromptu after-party. It's about sharing and inculcating employees with your company values, and really having a collective agreement about what's acceptable within your specific culture. That's the only way you get to the heart of these issues.

**DAN ROBERTS:** Tolerance of misconduct is much lower than it has been historically. And the speed with which a misconduct scandal can become a license-to-operate scandal really makes alcohol at company functions an existential risk for organizations.

I suspect employers are increasingly going to take the risk-free alternative of saying, "Not only are we not going to allow alcohol at the post-work events,

## SHOULD YOU LEAVE THE PUB TO LET YOUNGER COLLEAGUES ENJOY THEMSELVES— OR HANG AROUND TO MAKE SURE NOTHING BAD HAPPENS?

we're not even going to have post-work events." I think that might be the world where we're heading. It would be a sad state of affairs to get there, and it will carry other unintended consequences, but I do worry that that's where we're heading fast.

If you're a risk committee of a large organization that says, "Christmas party, probably going to be fine. But if it goes wrong, we're in huge trouble," you've got to really want that Christmas party to go ahead.

**ISABEL DAVIES:** And it's hard to track the benefits of a Christmas party socially.

**NICK HOWARD:** But if businesses cancel all social events, there's a risk that employees, colleagues, teammates become disconnected, especially after COVID, remote working, people not coming back together.

Is this another nail in the coffin of the office environment? Is it really what we want? No more enjoying each other's company, getting to know each other, having a sense of team spirit. No more, "Everybody's had a really tough year, we're going to have a terrific Christmas party. We're going to celebrate everything we've done." Might bans on alcohol deepen the larger problem of disconnection?

**If young people are known to drink less than previous generations, and if it's young people who are longing to bond after work with colleagues, why not disinvite the older generations?**

**NICK HOWARD:** There was a time when I was included in conversations about going to the pub after work. But nowadays, nobody asks me! "Nick's old. He's got kids. He's not going to want to come."

A senior person might think it best to go to the pub just long enough to show team spirit, then leave and let the younger folk enjoy themselves. Alternatively, a senior person might feel obligated to stick around, stay sober and make sure nothing bad happens.

**If a leader suggests doing something after work, does a junior person feel obligated?**

**ISABEL DAVIES:** If the drinks are suggested by the senior leader, you'd want to look like a team player for going along. I've definitely worked in teams where the drinks are always driven by the senior male lead. And it might be more social rather than the team collaboration, but absolutely, I think juniors feel they need to go along. I think it would take a very strong personality to turn those down.

**NICK HOWARD:** Would you feel the need to have an alcoholic drink?

**ISABEL DAVIES:** Yeah, I think so. But that's shifting. Gen Z is much better at accepting different ways of drinking. ♦



**I**N JUST A FEW YEARS, CHRISTOPHER GUÉRIN HAS engineered a remarkable turnaround for the 120-year-old Paris-based company Nexans, a global leader in the energy and telecommunications cables and systems industry. When he took over in 2018, the business was in serious trouble. By simplifying both its product offerings and the company's organization—cutting 17,000 clients by more than two-thirds while refocusing on sustainability as a top priority—he quickly reestablished it as a profitable leader in the space and positioned it as an important player in the greening of the world's electric grids.

Guérin is also the author of the 2023 book *Pour aller dans le bons sens* (soon to be published in English as *Finding Our Way Again*) in which he explains

**One of your first decisions as CEO was to launch a strategic plan called “Simplify to amplify,” which reduced the number of clients served by Nexans by over two-thirds. What drew you to this radical approach?**

At that time, the firm was undergoing one of the biggest crises of its 120-year history. The share price had plummeted to historical lows, investors and commentators were starting to speculate on a potential takeover of the company. Whatever I wanted to do, it had to produce quick and visible results to save the firm. I decided to shift our focus from topline growth to cash generation. Quickly, a path to a “no growth” model emerged built on a language that stakeholders understood.

I tried to understand where and how we had failed and I discovered that the KPIs [key performance indicators] on which we were relying on to make decisions hadn't been challenged in 10 years! I realized that there was a hidden cost hindering our

# Christopher GUÉRIN

his vision and his commitment to the energy transition. He also shares his responsible management model, what he calls the E3—Economic, Environment, Engagement. The beauty of the E3 model is that it removes the silos within the company's operations: Each of the three categories requires and feeds into the others, with a focus on environment underpinning financial value driving its economic strategy. Under engagement, the company emphasizes the importance of the well-being of its 28,000 employees, as well as its social responsibility to the communities in which it operates.

His approach confounded expectations of financial analysts and formed a working critique of commonly held beliefs not only about growth but around the current standard expectations for ESG.

We spoke with Guérin about his strategy, the current green energy landscape and his skeptical view of ESG metrics. He views Nexans' success as a roadmap for other corporations, in and out of the energy supply sector.

The CEO of the global energy cable supplier Nexans sees his “no-growth” strategy emphasizing profit, people and environment as a model. He talks to Brunswick's **GUILLAUME MAUJEAN** and **BENOIT GRANGE**.

performances—I called it the “complexity cost,” that originated from the ever-increasing number of clients and products.

This led us to classify our clients into three different categories: platinum, gold and silver. Then we focused on our core products and also included social and environmental criteria. This strategy provided us with tremendous results. By reducing the number of our clients, our return on capital increased from negative 10% to positive 30% in less than a year!

The pandemic, as tragic and difficult as it was, allowed us the opportunity to accelerate this densification of our activity around only one-third of our original clients, the platinum ones. It had an impressive impact on our business. While radically diminishing the complexity of our business and the number of our clients from 17,000 to 4,000, we kept the same turnover.

After reducing complexity at the operational level, we reduced complexity in our organization. The







Nexans has expanded its contracts around the world, linking grids to green energy sources, such as wind turbines.

“Simplify to amplify” plan also consisted of keeping the activities in which we are pure players, selling some of our assets to focus solely on electrification.

#### How did you manage to convince your teams to follow and believe in your strategy?

This was a major point, and we worked a lot on change management. I had a vision that I was carrying with a lot of conviction—and the legitimacy behind me of a solid operational experience in the manufacturing industry. Thanks to that background, I was trusted by my teams. Our strategy delivered good results relatively quickly, so it wasn’t challenged much after its launch.

We also stopped incentivizing people on volume and revenue growth, but rather on key financial performance. It helped us to get positive results very fast.

Financial analysts and investors, on the other hand, had a hard time trying to understand the logic behind the transformation. They struggled to understand how it was possible to deliver such profits without growth and heavy restructuring. They just couldn’t believe it!

#### How does the E3 inform employee engagement?

We must above all rethink the company’s narrative over a long period of time and in such a way that it

*“This rush, this third revolution, is increasing the pressure on raw materials resources and on the grid.”*

affects every level of the company and employee. The holistic, transparent, pragmatic and visionary management that E3 provides is a good frame for that discussion. We are working with 10 external sociologists to make sure that the benefits of our approach are felt all over the company.

#### Is your in-house model scalable to other firms?

I am convinced that our model is scalable. It is built on the fact that resources are limited and that they will fulfill a certain number of clients through a precise product catalog. It’s all about optimization, common sense and an analytical approach.

This performance model, the E3, works particularly well with all capital-goods-intensive businesses. It might be more complicated to implement the E3 model in the automobile and aviation industries. Focusing on already existing clients and thinking about how we can do cross-selling while optimizing our resources can increase the value of activities.

#### You sound rather critical about ESG labels and KPIs. In your opinion, what should be done in terms of environmental regulation?

There are too many ESG labels and criteria, and let’s be honest: They go out of fashion in a blink; it seems you never have the right one.

Current ESG metrics are paradoxical: They emphasize growth on the one hand and environmental protection on the other. However, these objectives are contradictory—officials should trust leaders who are well aware of their responsibility in leading the energy transition.

Regulators shouldn't be obsessed by metrics, because they don't provide a global picture of complex subjects. Climate change is a systemic issue that can't be reduced to fragmented metrics.

### What is your vision on the future of electrification?

We are entering the third electrical infrastructure revolution. Over the last century, the manufacturing industry witnessed two major cycles of investment in the electricity grid. Mature countries had completed their grids in the 1950s and emerging countries started establishing their infrastructure in the 1970s.

Today, we are starting a third historical cycle, with mature and emerging countries together updating their grids for three main reasons: Telecom

*“Climate change is a systemic issue that can't be reduced to fragmented metrics.”*

expansion amplified the need for electricity; decarbonization is more and more urgent; and former grids need to be refurbished. Over the next 20 years, this will require global investment of an estimated €23 trillion (\$24.67 trillion). This rush, this third revolution, is increasing the pressure on raw materials resources and on the grid.

### Electricity production is set to rise dramatically. What is Nexans' strategy?

Nexans is taking advantage of the shift from fossil fuel energies to renewable energies, and the renewal of the electrical grid. In the US, while most Americans understand the need for more wind and solar power, very few are discussing a critical component in our clean energy transition: We have less than 10 years to make sure America's antiquated power grid can handle the shift to renewables. For instance, we will work with New York state until 2027 to help them be powered with 100% green energy sources. Nexans is connecting the state to the wind farms located in the Atlantic Ocean.

The US as a whole is directing its infrastructure spending to renewable energies. Thanks to the IRA, many deals with European firms are being signed. We've learned a lot from the strategy of the UK. They build wind turbines 100 kilometers away from the coast to take advantage of the strong winds. The future of electrification may look like this.

### What is your vision for leadership in this time of perma-crises?

To navigate this future, it is becoming a necessity to make our priorities converge, to root out old instincts, rediscover a business model that is based on a cause greater than its direct mission alone, to develop a new consciousness, a new holistic and systemic mode of management.

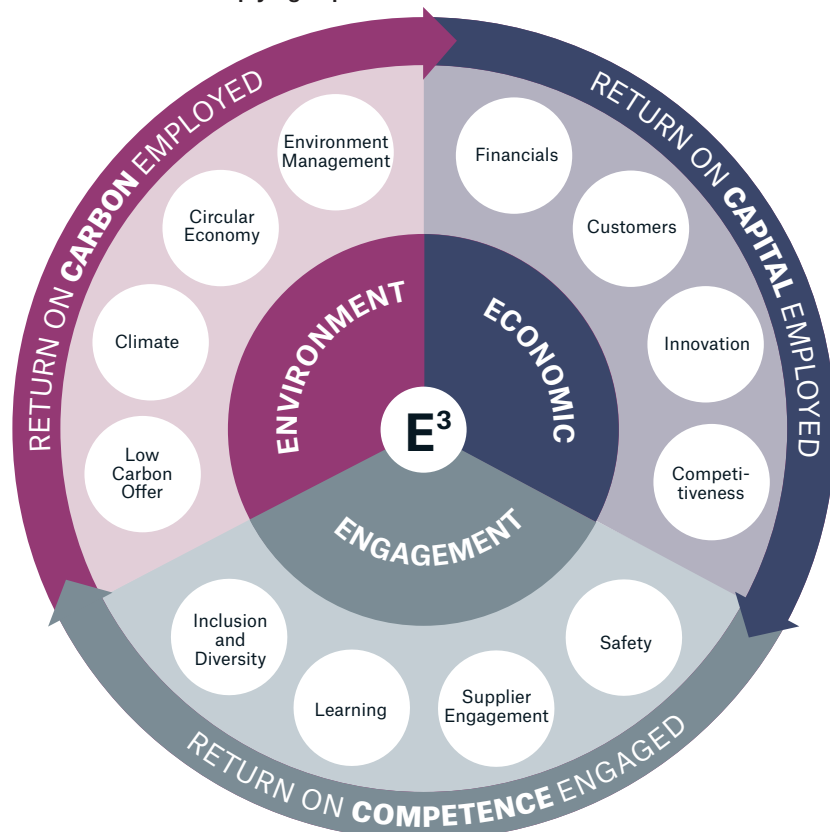
This means no longer thinking in terms of competitiveness, but in terms of ecosystem and territorial anchorage. No longer thinking volume growth, but rather regenerative growth through the value and reuse of waste. No longer thinking productivity, but rather agility, vitality and systemics.

The company of tomorrow needs to shift in a world where the economy, the environment and commitment converge for the common good. This new narrative is the very essence of collective engagement—a new model of performance that combines those three components in a systemic way, and around a long-term corporate strategy. ♦

Brunswick Partner **GUILLAUME MAUJEAN** is Head of the Paris Office where **BENOIT GRANGE** is also a Partner.

## A SCALABLE MODEL

Nexans' operational model can be imagined as a wheel within a wheel, with the three focuses of activity, Environment, Economic and Engagement, each implying impacts that influence all other areas.





**A**FTER HOLDING SENIOR EXECUTIVE POSITIONS in tech in San Francisco and New York City, Julie Iskow found herself looking at a position at cloud company Workiva, headquartered in Ames, Iowa. “I admit, I thought to myself, ‘Who’s got a tech company headquartered in Ames, Iowa? What is this?’ It’s a lovely area, but not one you think of for a tech startup,” she says. “But then when I started interviewing, I got excited.”

Today, she’s Workiva’s President and CEO. A global software-as-a-service platform founded in 2008, Workiva offers a multi-tiered cloud platform companies use to connect data from hundreds of disparate systems and to create, review and publish data-linked business and regulatory reports and disclosures. The platform helps simplify the increasingly complex work of data reporting and maintain consistency and transparency through all the various reports and applications.

A publicly traded company with a well over \$5 billion market cap, Workiva counts 80% of the Fortune

President and  
CEO **JULIE ISKOW**  
talks to **CARLTON  
WILKINSON**  
about Workiva’s  
reporting  
platform and  
the people-first  
approach that  
keeps the  
company among  
the top places  
to work.

“Coming from that background, I saw opportunity in the data that Workiva had,” she says. “I also saw a huge international growth opportunity. I saw a company that was very quiet; the world didn’t know much about it yet. And I came to love the company and the people. Workiva has the most amazing culture that I’ve been in—it’s second-to-none.”

*Brunswick Review* spoke with her in our San Francisco office about her life, her passion for her work and her continued vision for Workiva’s opportunities. Iskow grew up in the San Francisco Bay Area, and spent the better part of her professional career in Silicon Valley. With family in the area, she is still deeply attached to the city and travels from there to the company’s various offices on three continents.

“I love the smart people, I love the technology, and we’re forward-thinking,” she says of the Bay Area. “It’s beautiful and relaxed. But make no mistake about it, we get shit done.”

**Coming into the CEO position from COO, has your perspective changed?**

I wouldn’t say my perspective has changed, but I feel differently in the CEO role. My sense of responsibility has changed; I feel the weight of the entire company’s success on me. The buck stops with me, and the responsibility is massive. The gravity of the role makes me feel differently.

It’s my first CEO job, and it’s a public company at a time when public companies are under a lot of stakeholder scrutiny. The market is more focused on profits, efficiencies and performance than they have been over the last several years. That’s just part of the normal ebb and flow of the market, but it means I have to respond to market pressures in the right way. I’m not following a herd mentality. I’m doing what’s right for Workiva. We want to move to \$1 billion of revenue and beyond. So we really need to grow up, to scale.

The right way to do that is with a people-first mindset, making sure the entire company is with us, that everyone understands why we’re changing,

# Transformative TECH LEADER

1000 businesses as customers. It has 2,500 employees and has been consistently included on the Fortune list of 100 Best Companies to Work For and has received an “AAA” rating in MSCI’s ESG Ratings Assessment for two consecutive years.

Iskow joined as Chief Operating Officer in 2019 and worked closely with founder CEO Marty Vanderploeg over the next three and a half years. She took over as CEO in April of 2023. She had previously been Executive Vice President and Chief Technology Officer at SaaS life sciences company Medidata Solutions, and before that, Senior Vice President of Product Development and Chief Information Officer at another SaaS company, WageWorks.



why we bring in new talent to complement existing talent. Culture continues to be front and center for Workiva. We have an award-winning culture and we strive and work hard to keep it that way as we grow.

**Is it harder when you're taking over from a founder?**

I'm not just taking over from a founder. I'm taking over from a founder who is a beloved icon. The company loved him in his role; he was Workiva. So taking over for him doesn't just mean keeping the company rolling or executing on a strategy. There's a people element here too, and that is the hardest part—following in his footsteps.

**"WE HAVE AN  
AWARD-WINNING  
CULTURE AND  
WE STRIVE AND  
WORK HARD TO  
KEEP IT THAT WAY  
AS WE GROW."**

In the all-company meeting where Marty handed over the baton, I told them, I'm not going to step into those shoes. Because I can't. No one could. I'm just going to be the best CEO I can be. He's now Non-Executive Chair of our board so we talk a couple times a week. He's a great sounding board. The company's 15 years old and he was there since day one. I would be foolish not to leverage all of that. It's a really healthy relationship that I think we both appreciate. Do we have differences? Occasionally. But I'm lucky to have that rapport with him and his support. That doesn't always happen.

Every job in tech that I've had has been with a founder. Workiva is my fifth one. I'm actually



about to publish an article about that, working with founders. You cannot work in a founder-led company and for a founder and have a huge ego. I mean, everyone has an ego, but you have to check it at the door. I've learned a lot and I'm careful to preserve the strengths of my relationship with him—so I can continue to learn and do what's best for Workiva.

### What are your other big challenges as CEO?

It's very different running a company today than it has been in the past. The role of a CEO has been transformed. A lot of it has to do with an awareness of the well-being of people—employees, customers and community. The return-to-office issue, for instance: This is a CEO-level conversation in every company, whether employees will be allowed to choose where they work, how to do right by employees and the business. It's a difficult conversation and every business is different.

We've decided on a flexible work policy of “work where you work best,” empowering our employees to find the balance of work from home or in the office that best suits them. We see a lot of positive impacts from this approach.

And that's just one thing. As CEO, you have to think about staying innovative and resilient, staying ahead of the competition, making sure teams are aligned, ensuring you're attracting the right talent, including diverse talent, and retaining that talent, making sure you're thinking about the communities in which you operate, the environment that you interface with, all the governance concerns—and doing all those things in the right way, being good corporate citizens. It's all of that. And that's what the CEO job has become. There's so much more to it than achieving a growth target.

### Tell me about the Workiva platform. You've called it “transformative”—how so?

Workiva is a platform company. We shine when data consistency, integrity and accuracy are critical and a clear narrative is required.

As I mentioned, one of the reasons I joined Workiva nearly four years ago is because I saw the incredible potential. It was unlike any other platform company that I had worked with and I had been in several. We have a true platform. And today, we are the only platform that brings financial reporting, ESG and GRC [governance, risk and compliance] together in one secure, controlled, audit-ready environment. We call it Assured Integrated Reporting. Our platform is a strong and key differentiator in the marketplace.

“BY SHOWING  
THAT YOU'RE  
IDENTIFYING,  
REPORTING  
AND TRACKING  
YOUR RISKS,  
YOU'RE SAYING,  
'WE WANT TO  
BE A GOOD  
COMPANY THAT  
DOES RIGHT  
BY OUR  
STAKEHOLDERS,  
NOT JUST  
SHAREHOLDERS.'”

The success of our platform comes from relentless innovation. It's in our DNA. Innovation is about connecting the dots between the current reality and the future possibility, transforming things for the better. By advancing a current process, product or technology, we're moving it forward to create impact.

We drive ourselves to identify opportunities for, and understand the challenges of, our customers, and for our future customers and then create solutions that transform the way they work and their ability to succeed in this dynamic world of regulation and reporting.

So, yes, our platform is transformative. And not just for the companies themselves, but for the larger community of stakeholders because of the importance that transparency and accurate reporting can have. I honestly can't think of a better company to be leading in these times.

### You had an article published in January of last year titled “ESG is Here, and There's No Turning Back.” There's been a lot of pushback on ESG since then. Do you stand by that?

Yes, I stand by it, but I don't need to take a side. When we look at the ESG regulatory environment, there is North America and the rest of the world. Here in the US, ESG has emerged as a critical and sometimes polarizing topic. But in Europe, for example, we don't see that political debate. In fact, they have passed laws and reporting standards that are providing a roadmap for corporations to prepare for increased disclosures.

While the US regulations continue to evolve, we continue to see steady demand from our customers. And that is for a number of reasons: It's stakeholder demand, it's risk management, it's to report on the science-based targets and net-zero commitments that many of these organizations have already made.

It's also to prepare for what many organizations see as upcoming regulation whether it be from the SEC, state of California or the CSRD [Corporate Sustainability Reporting Directive] in Europe which many US-based organizations will have to comply with. The CSRD specifically outlines that organizations with an EU entity that has a net turnover of €150 million in the EU must comply with the CSRD.

So businesses are doing it anyway. Even in the US, ESG remained one of our top solutions in bookings performance for several quarters.

By showing that you're identifying, reporting and tracking your risks, you're saying, “We want to be a good company that does right by our stakeholders, not just shareholders.”

**Software as a service crosses dozens of sectors—but even so, it’s a distinct and still-young area on its own, with a lot of consolidation going on. How does Workiva regard that?**

There is a lot of consolidation activity these days. It’s really hard to scale a SaaS company to a billion dollars. It’s even rare where we are, over the \$500 million mark. There are tons of SaaS companies out there, but they’re mostly very small. Some fail, some get sold to private equity or to legacy companies—companies that aren’t SaaS, that don’t yet have cloud components. Even banks are starting to buy SaaS software. They need those services to stay competitive.

The market pressures out there, expectations of the Street, the drive for growth—all those things keep me going. I try to build the best company I can. We continue to invest in our future opportunities—ESG for example. Workiva is already in rare air as very few SaaS companies get to the \$500 million mark on their own. Our executive team and I are focused on growth to the billion-dollar mark and beyond.

**Can you talk about AI as part of that opportunity investment?**

“Generative AI is going to change the way we do business,” that’s the sentiment you hear these days.

“TODAY MY LIFE  
IS WORKIVA AND  
MY FAMILY  
AND FRIENDS.  
AND I’M ABOUT  
AS CONTENT  
AS I COULD  
POSSIBLY BE.”



President and CEO Julie Iskow speaks at a Workiva employee Town Hall meeting.

And we’re definitely embracing it. On our earnings call, I pointed to our press release where we talked about leveraging the Large Language Models (LLMs) from Google and Microsoft.

But AI is an area that’s not new to Workiva, or to me. At my last company, a life sciences tech company, we transitioned from an emphasis on cloud technology in the way companies work, to a focus on analytics with a huge data science team, and we leveraged the data that we had. At Workiva, we’re not new to this space. We started a data science team a number of years ago and have been releasing and productizing capabilities.

I don’t want to seem tentative on it, because I’m not. We’re already rolling out leveraged LLMs in-app in the Workiva platform. But is it going to transform everything this minute? No. Can it help? Can it be a productivity enhancer in our platform? Absolutely. And it will be. We see AI as transformative technology that will shape the next decade of innovation. It will be our customers’ co-pilot for writing content, brainstorming ideas, generating insights and automating tasks. It’s an in-app feature, so it helps them do things in our platform a little bit faster and easier.

And we work to ensure the customer’s data is secure. By having enterprise-grade security we’ve eliminated one of the top concerns of using tools like ChatGPT: security. And our customers’ data within the Workiva platform—including inputs to the AI feature—are not used to train the Generative AI model.

**What do you do for fun?**

Everyone expects me to say, “I go skydiving,” “I ski,” “I play golf or tennis”—I mean, I did some of that stuff in an earlier day. But today my life is Workiva and my family and friends. And I’m about as content as I could possibly be. I travel for work, so I’m not lacking that, and I have been doing that for a long time.

I play the piano. I don’t practice anymore. But I’ll be walking by the piano and stop and play something. I enjoy it. My favorite piece of furniture is my piano. But honestly, my job is my fun time and when I’m not working, my fun is about my family and the people around me.

When my family’s all together and having dinner, or having fun or whatever, I’ll look out and think, “This is life.” This is why I do what I do every day; I live for these moments. ♦

**CARLTON WILKINSON** is a Brunswick Director and Managing Editor of the *Brunswick Review*.



Young entrepreneur **PAWAN CHANDANA** left India's national space agency to found his own rocket startup, a move that transformed the country's space race. By **KHOZEM MERCHANT** with **SAURADEEP CHAKRABORTY**.

**F**IVE YEARS AGO, PAWAN CHANDANA MADE A startling declaration to his conservative parents and his state employer. "I want to build a rocket and send it into space," he told them. Chandana quit his senior engineering job at the Indian Space Research Organisation and, with his ISRO colleague Naga Bharath Daka, set his sights on the heavens.

On the day I met Chandana, India's Prime Minister Narendra Modi was in Washington, DC, where, in a casual chat about India's space ambitions with the astrophysicist Dr. Neil deGrasse Tyson, the Indian leader said: "The sky's not the limit." Hearing the remark, a beaming Chandana responded: "That's, like, awesome."

In his animated passion for space travel, 33-year-old rocket engineer Chandana is every inch the precocious rocket engineer trope from science fiction. But his story is no fiction.

# The Sky Is Not the Limit

In November 2022, Chandana and Daka watched their *desi* (native) rocket, Vikram S, soar into space from a launch center in the southern city of Sriharikota. It went up and came down as planned in precisely five minutes of nail-biting tension and landed their young company, Skyroot, firmly on the commercial space travel map.

"Our rocket reached space crossing 80 kilometers in altitude, did whatever tests were required, then dropped into the Bay of Bengal," said Chandana. "Rockets often turn the wrong way, which is a disaster. I wasn't praying; I'm an atheist. But some around me were."

While ISRO has established India's ambitions as a space power, the Skyroot launch was India's first by a private company. Space exploration had been liberalized only 18 months earlier, and the Vikram S launch was judged a triumph on many levels. Modi called it "a historic moment for India." It fueled national



**Founders Naga Bharath Daka, left, and Pawan Chandana with their Skyroot Vikram S rocket, prior to its launch November 18, 2022.**

and regional pride; served as an example of frugal engineering; spotlighted the centrality of science and engineering in Indian education and the rejection of orthodox career choices. But it is most dazzling as an example of precocious entrepreneurialism.

Among the most-advertised data points for youthful, risk-taking India is the number of its “unicorns”: 107. These are consumer internet startups that have sprinted across the \$1 billion valuation line fanned by boosterish media. They have captured popular imagination in part because their founders are from “Bharat” (“India” in the Hindi language but colloquially denoting “the heartland”). But also because their success was won without inherited privilege or favors in an India of staggering preferment of opportunity.

Chandana is from the small town of Machilipatnam and grew up in Visakhapatnam, a port city on the east coast where his engineer father landed a government job. He was tasked with “building stuff,” says Chandana in the argot of the tech world. He admits to being a “massive underachiever” at his Christian missionary school so he switched to a local crammer, where supportive teachers helped him meet the hurdles for entry into the prestigious Indian Institute of Technology at Kharagpur. But his underperformance continued there, he says.

His moment of self-discovery came first at the cryogenic center at IIT Kharagpur, the only one in India at the time. There, his interest in rocket technology was born. An immersive experience of rocket development at ISRO, which he joined from the institute, followed. And finally, he was bitten by the entrepreneurial bug itself.

“It was everywhere at college,” he says. “As a middle-class person I lacked finance, I lacked the ‘how.’ But I realized it can happen.”

The “how” posed challenges both personal and professional. First, whether a sweeper or an engineer, a job in the state sector in India is gold dust. “All I wanted was to stay with ISRO until my retirement,” he says. Second, there was no regulatory or policy regime for a rocket company, no template of capital allocation, and no talent pool beyond the state entities. This was not an inviting proposition.

The experience at ISRO proved invaluable, Chandana says. He had been lucky enough to join the agency’s largest rocket project, known as LVM3, where he worked on its booster rockets, contributing to its maiden launches. He also got to witness the Mars orbiter mission, Mangalyaan, which was taking shape at the same time. Mangalyaan would be the first interplanetary mission to succeed at the first attempt, which made him feel “close to history.” Daka



had also joined ISRO by then and, with his electrical engineering background, was set to work on the rocket flight computers.

"We were originating rocket technology from scratch," Chandana says. "I now know that difficult, high-tech engineering can be done from India. India isn't a technology or engineering leader; it may even miss the semiconductor and manufacturing cycle because we still don't build from scratch. Maybe space technology is India's best-kept secret."

His ISRO experience spanned the entire chain from design to orbital launch. Chandana is convinced that this is where he "truly became an engineer," and where his own idea for a personal venture took hold. But if ISRO groomed him for the private sector, there was no private sector, as such, for a space entrepreneur to tap.

In 2018, with no capital, Chandana and Daka turned to LinkedIn with a message that felt ripe for social media parody. "We said that we're a couple of ex-ISRO scientists starting a rocket company from the private sector in India," Chandana recalls. "We needed 10 crores," (100 million rupees, or \$1.2 million). A widely watched internet entrepreneur who had built the iconic startups Myntra and Cure.fit and was an early investor in Flipkart (the Indian e-commerce unit owned by Walmart), stepped in for the full amount. It was India's first private investment in the space sector.

But the new company still had a long runway ahead of it. There was no market beyond ISRO and no talent pool of private enterprise experience. Nor was there any guiding policy framework. Significantly, this last point changed in 2020 with the launch of India's first oversight agency for commercial space exploration, IN-SPACe, which targeted market development.

For talent, Skyroot found kindred spirits in retired scientists and rookies from the Indian Institute of Space Science and Technology in Trivandrum, next door to ISRO, who were excited by the new company's buzz.

The young company's ambition was to slash by half the time it took to develop a rocket. It took a knife to timelines by plugging into an existing manufacturing ecosystem that had grown over 60 years in the sole service of the status quo.

"We didn't need to build a manufacturing facility," Chandana says. "It was all out there with vendors working for ISRO. We went in as a customer and saw all this stuff about the space program for ISRO."

The company won the National Startup Award 2020 and new capital from major regional investors



**The company's founders hosted India's Prime Minister Narendra Modi during his visit to the plant. Modi called Skyroot's Vikram S launch "a historic moment for India."**

followed as word of the company and interest in the nascent space sector began to spread. Skyroot now appears confident about its next phase, buttressed by funding of \$68 million, sufficient for a program of accelerating launches over the next two to three years.

"What we have so far is payloads [typically for commercial clients wanting to gather data for business applications] which reach space and fall back on Earth," Chandana says. "This was a demonstration of technology. We have a program to launch multiple orbits, and that will demonstrate commercial viability."

Like many Indian entrepreneurs in mobility, payments, food delivery and more across the internet platform economy, Chandana is evangelical about the disruption he sees on the horizon for his sector. "It takes two minutes to be in space," he says. "Space should feel like a cab ride away."

In the weeks after Chandana and I met, ISRO launched its second attempt to put a robotic lander on an unexplored area of the Moon. It was successful, putting India in an elite club of Moon explorers with China, the US and Russia, increasing the country's appetite for space.

During his visit to Washington, Modi signed agreements that should hasten space technology cooperation. India's national space budget remains a fraction of its rivals but liberalization, as evidenced by Skyroot's successes, is already opening new doors. More importantly, Skyroot demonstrates daring Indian entrepreneurialism in full flow, a potentially more valuable currency for the country. ♦

**KHOZEM MERCHANT** is a Partner and Head of Brunswick's India practice, based in Mumbai and New Delhi. He is the former President of Pearson India and previously a journalist with the *Financial Times*. **SAURADEEP CHAKRABORTY** is an Executive in Brunswick's Mumbai office.

**A**MBER ATHERTON IS A PARTNER AT THE early-stage venture capital firm Patron, investing in the convergence of games, consumers and Web3. Previously, she was Head of Strategic Communities at Discord, which acquired her community software startup Zyper in January 2021. She is the author of *The Rise of Virtual Communities: In Conversation with Virtual World Pioneers* and Executive Director of GBx, a private community for British founders in the Bay Area. She lives in San Francisco.

Atherton, who's in her early 30s, recently spoke with Brunswick's Kirsty Cameron. Their conversation started by exploring how Atherton's passion for tech emerged, a journey that included a memorably named blog: My Flash Trash.

**You were fascinated with the online world from a young age. What ignited that passion?**

I was born in Hong Kong and went to international schools. My dad worked at Cathay Pacific and was a huge computer hobbyist. He taught me how to code. I then went to boarding school in England. The computer room at that point was mostly about Mavis Beacon [software designed to teach touch typing], but I was already building websites.

When I was 15, I started a WordPress blog. This was before the age of influencers, but I started



# Community Connoisseur

selling jewelry and accessories from Hong Kong on this blog. The margins were huge, and I began taking photos of my friends wearing the jewelry, which led to other jewelry designers asking if they could appear on the blog.

I began to realize the value of creating a big community-slash-marketplace, so I started charging designers to be featured on this blog and I'd take a commission.

It was called My Flash Trash, and a big part of the commerce experience was community engagement. You could comment on pieces you liked, and designers could respond. It was early conversational commerce. I raised some seed money and continued to build the company. Eventually I merged My Flash Trash with a Chinese manufacturing company and began thinking about my next move.

The alchemy of creating virtual communities has been at the heart of **AMBER ATHERTON'S** career as an entrepreneur, investor and author.

**That turned out to be Zyper, which you later sold to Discord, right?**

Yes. I started building a machine learning-led community marketing tool, Zyper, that allowed brands to identify and engage with the top 1% of their social following. This was 2016 and I raised a seed round for that. A lot of people were asking if it was influencer marketing, but it wasn't. It was about creating community for your most valuable customers so that they would purchase more frequently.

Direct-to-consumer brands were realizing that the way to grow a brand was to make your customers your evangelists, and that it was valuable to do that in an authentic way. We quickly started acquiring brands in beauty and fashion.

Fast forward to 2020 and we raised a small Series A and were approached by quite a few larger social



media companies about acquisition, including Discord—which was blowing up during the pandemic. It wasn't just gamers, it was Web3, it was art ... it was becoming the de-facto community platform. We sold to Discord and I started working there.

I became more interested in what makes an online community. Community happens when people have a common interest, whatever that may be. And although it's hard to measure the ROI on community, it is part of the marketing moat around a brand and can be an effective way to get into the hearts and minds of your customers. It is a great alternative to a focus group.

**How do you make sure an online community runs as it should, and that there are no bad actors?**

You need a community manager or moderator. It is a lot of work making people feel welcome. I've just published a book called *The Rise of Virtual Communities* and in it I interview 15 founders who have built these communities since as early as the 1980s. Having a code of conduct comes up a lot. The world may have moved on since then but so many fundamentals about community remain the same. Building a social media audience is very different than creating a community. The latter is much more high touch.

**Are you platform agnostic when it comes to building communities?**

It depends on the need. WhatsApp is great if it's ephemeral—if you're organizing an event, for example. Reddit is also super interesting. I do have a bias toward Discord. Developers on Discord are a great example of the positive side of the internet—the open-source community is driven by altruism, and dedicated to making the online world more playful, useful and delightful.

**Is there an ideal size for a community?**

People often quote [British anthropologist Robin] Dunbar's number: Communities can't be bigger than 150 people. But actually they can be bigger. I've seen servers on Discord with millions of people. But only a few thousand are actively engaging regularly and showing up. It's the 80/20 rule. Eighty percent are reading and lurking. You can also have sub-groups, or gated areas, where only certain people can enter which can help organize larger communities.

**What is it you love about building and studying communities?**

Andy Warhol had this great quote about Studio 54: "It's a dictatorship at the door and a democracy on

"THERE SHOULD BE SOMETHING SPECIAL ABOUT UNIQUE SPACES AND SPECIALIST COMMUNITIES. I THINK THERE WILL COME A TIME WHEN THESE BECOME MORE SUBSCRIPTION-BASED."

**KIRSTY CAMERON** is an Associate and Digital Specialist in Brunswick's San Francisco office.

the dance floor." He's totally right. There should be something special about unique spaces and specialist communities. I think there will come a time when these become more subscription-based.

In the early days you would see the same people showing up. It was like a village. I think people want to go back to that time. If you are setting up a community, the more specific, the better. I run a community of British founders and entrepreneurs in the Bay called GBx. To get in, you need to be a Brit, a founder or investor, and live in the Bay Area. You've got already lots in common and that creates a sense of belonging.

**How should brands behave when it comes to owning, or interacting with, communities?**

You have to be really careful. There are so many epic fails by companies. But there are brands who do it well. Netflix had a thriving server on Discord, for example, that was totally community run. Netflix reached out and basically said, "Hi, what you're doing is amazing. Can we bring out some props?" It provided some additional stimuli but let the group run itself. The key is to let the community own the space and you can give it an endorsement.

**What excites you about the Bay Area's technology landscape?**

I don't think San Francisco is doing a very good job of cultivating its external brand image! Since the gold rush, the city has always been a place for pioneers. There's so much opportunity and potential. There's a democracy of ideas here; it doesn't matter where you came from, it's about your ambition and the quality of your product. There's a wonderful ecosystem here that nurtures that.

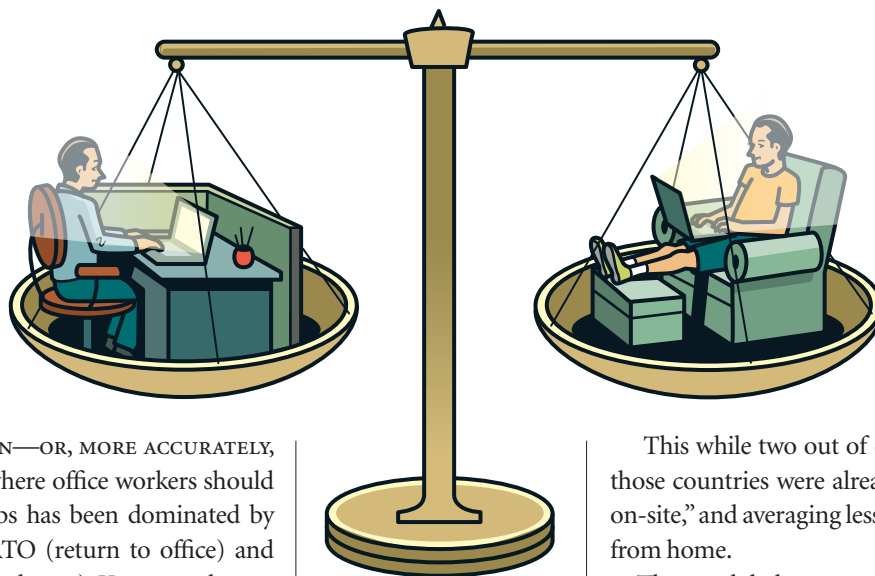
I also somewhat controversially love the time zone. Some see it as isolating. But while London and New York are sleeping, we are inventing new ideas.

**How do we encourage more women to join tech?**

We need more women in tech, no question. I started the Atherton Award, which 30 schools in the UK participate in. It's for young women who have an idea and that entrepreneurial spirit. If your idea wins, you receive £500 and join a community of other aspiring female leaders on Slack. Some of these young women have created amazing businesses.

If we want more women to start businesses, we need to start early and educate about risk tolerance and encourage risk taking. Because if you want to become an entrepreneur, you've got to be OK with failing. It's all part of the learning experience. ♦

# RTO



# WFH?

**T**HE CONVERSATION—OR, MORE ACCURATELY, debate—about where office workers should perform their jobs has been dominated by two acronyms: RTO (return to office) and WFH (work from home). Yet research suggests that a majority of employees worldwide are more interested in blending those acronyms than choosing between them.

That data, compiled by fittingly named WFH Research, a group that includes members from the University of Chicago, Stanford University and MIT, found that employees from Australia to Argentina, Singapore to Sweden, wanted to work from home on average two days a week. Employers across those countries, according to WFH Research, were planning on offering half that WFH allowance.

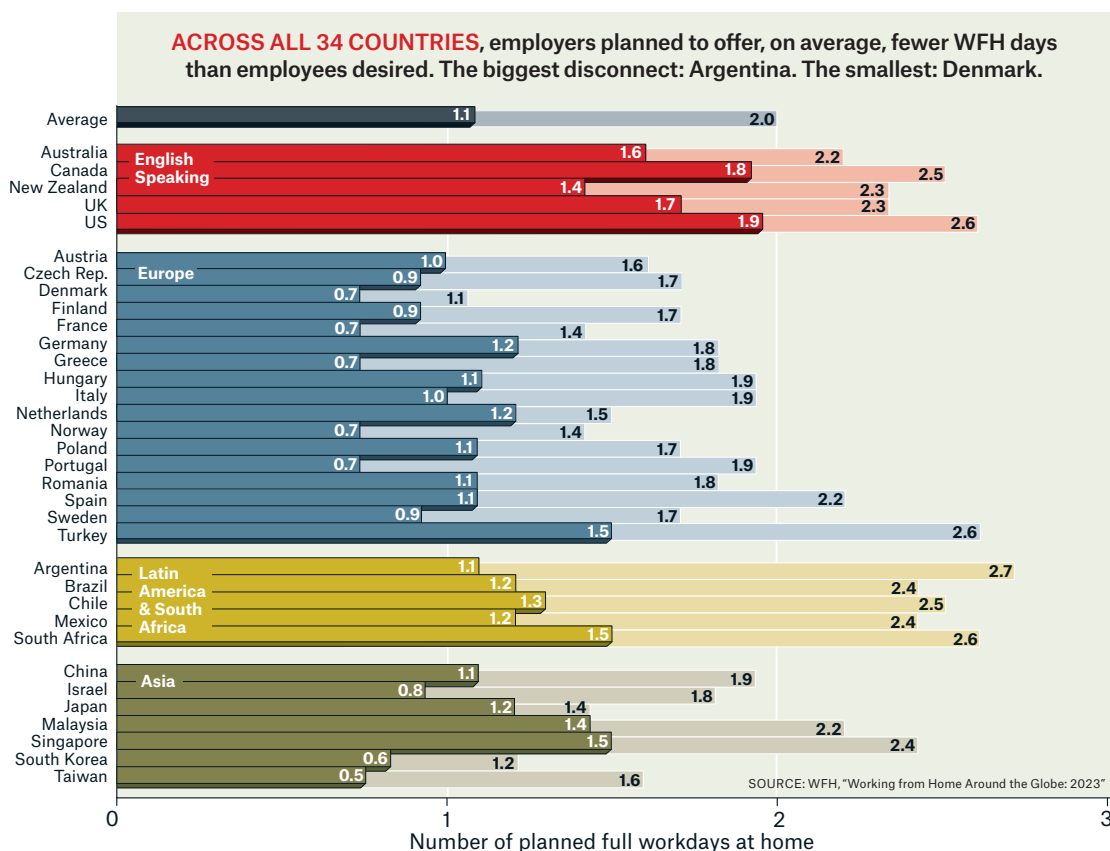
## GLOBAL RESEARCH on where employees & employers stand.

This while two out of every three workers across those countries were already back to working “fully on-site,” and averaging less than one full day working from home.

Those global averages obscure national and regional variances. The report noted that in the seven Asian countries for which it had data, employees worked from home an average of only 0.7 days per week—half the rate of full-time employees in Australia, Canada, New Zealand, the UK and US.

Such a state of affairs seems not only out of alignment with employees’ desires but also with business outcomes. McKinsey’s Chief People Officer Katy George told Brunswick (see p. 46) that the firm’s research “suggests that there’s a magic sweet spot in being in person 50% of the time.”

## EMPLOYERS’ PLANS VS EMPLOYEES’ DESIRES



**Current Working Arrangement**  
**April-May 2023**

PERCENT of respondents across 34 countries

FULLY ON-SITE

66.5

HYBRID

25.6

FULL WFH

7.9





President Joseph Biden joined United Auto Workers on a picket line in Detroit in September.

**S**UMMER 2023 SAW RECORD HEAT AND A SPIKE in workplace strikes. Dubbed “hot strike summer,” Americans in work as diverse as Hollywood screenwriting, hotel service, nursing, teaching and auto manufacturing hit the picket lines.

Overall, more than 300,000 American workers have joined more than 230 strikes so far in 2023, according to tracking data from Cornell’s School of Industrial and Labor Relations. Public sympathy has risen in tandem with the picket lines. Gallup has been measuring American opinion on labor unions since 1936. In 2022, Gallup measured approval of labor unions at 71%, the highest approval rating since 1965. In 2023, union approval dipped to 67%, still higher than any other year between 1965 and 2022, and far higher than its 2009 nadir of 48%.

Are we witnessing a labor comeback in the US?

Before exploring the question, it’s important to put the present moment in historical perspective. Union membership in America peaked at the end of World War II and began rapid decline with transition to a service and information economy in the late 1970s. In 1945, 33.4% of the workforce was unionized, according to the Economic Policy Institute. This fell to 20% of the workforce by 1983. By 2022, the share of the US workforce that was unionized had shrunk by half, to just 10%. According to

# HOT STRIKE SUMMER

Is 2023 the beginning of a labor comeback?  
By Brunswick’s  
**ROBERT MORAN.**

Gallup, 16% of Americans live in a household in which at least one person is a union member.

The composition of union members has also changed over time. In 2022, roughly half of all unionized workers labored in the public sector as government employees—7.1 million workers. The other half worked in the private sector. While only 6% of private sector workers are unionized, 33% of public sector workers are union members.

The Bureau of Labor Statistics has tracking data for “major strikes” of 1,000 or more impacted workers, going back to at least 1947. In 1947, there were 247 major strikes involving 1,629,000 workers. Labor’s high-water mark was 1952 to ’53. In 1952, organized labor catalyzed a post-war high of 470

**ROBERT MORAN** is a Partner in Brunswick’s Washington, DC office.

major strikes and 2,746,000 workers on strike. And in 1953 labor unions recorded their highest approval rating in all of Gallup's tracking, with 75% of Americans approving of organized labor.

Labor also heavily flexed its muscle in the 1970 to '71 period. In 1971, the BLS recorded 298 major strikes and 2,516,000 workers on strike. Strike activity began declining precipitously in 1980, at the dawn of the Reagan era. By 2017, BLS recorded only seven major strikes and only 25,300 workers participating in major strikes. But 2018 and 2019 saw upticks before the COVID-19 pandemic, and 2023 is on pace to set the record for the largest number of major strikes in roughly 20 years.

Taken together, this data highlights the current paradox of reality versus potential. The reality is that union membership is historically low. And, though we witnessed a summer spike in the number of strikes, that is still historically low when compared to America's industrial era. On the other hand, the potential is that Americans are very close to historical highs in terms of support for unions.

Despite the "hot strike summer," the future of labor in the United States is difficult to forecast. Gallup polling suggests that Americans themselves are split on labor's future: 34% think organized labor will become stronger, 36% say it will become weaker, and 27% say it will stay the same.

A skeptical forecast would focus on post-industrial decline, historically low membership, and the economic transition toward hard-to-organize knowledge, gig and independent workers. On the other hand, a renaissance forecast would focus on the frustration over increased concentration of wealth, and public sympathy for striking workers.

A 2022 Pew Research Center survey found that 61% of American workers say the decline of organized labor has been bad for workers. A majority of Americans, also 61%, say there is too much economic inequality in the United States. And public sympathy during the "hot strike summer" has been heavily in favor of labor. Recent Gallup polling finds public sympathy for striking automotive workers (75% for workers, 19% for employers), screenwriters (72% workers, 19% employers) and actors (67% workers, 24% employers). In each case there is lopsided support for the workers over management.

American workers are clearly sympathetic to strikers and unions, but will they join? The answer is murky. A Gallup poll published in August 2022 asked non-unionized American workers how interested they would be in joining a union on a scale from one to five, with five being "extremely interested." More

than half, 58%, reported that they were "not interested at all," giving a rating of one. Another 22% reported their interest at a two or three. But, 20% reported their interest at a four or five. That 20% could be decisive to American labor. The challenge is that only 11% of non-unionized workers responded with a five, saying they were "extremely interested" in joining a union. If labor could unionize that 11%, it would enjoy a very real surge, nearly doubling its strength. But, even if that were to happen, organized labor would be back only to its 1980s strength, not its 1950 to '70 peak.

Four large and unresolved questions will determine the strength of American labor in the 21st century: generational attitudes, political and legal support, in-shoring of American manufacturing, and automation and AI.

First, will Gen Z be more supportive of organized labor than older generations? We don't know yet, but we do know that Gen Z exhibits political opinions just a bit to the left of politically liberal Millennials. Second, will labor enjoy political support at the federal and state levels? This is also unclear. Politics is downstream from culture. If we continue to see robust public support for labor, then we can assume similar or marginally greater policy support. But, tempering this is the fact that most of the high-growth states are currently conservative, sunbelt and right-to-work. That could slow labor's momentum.

Third, geopolitical considerations appear to be driving a surge in American industry. Even with a high level of automation this should increase unionizable, industrial employment. Finally, what role will automation and AI play? It could put downward pressure on employment and labor. But that pressure itself could drive collective action.

With all this in mind, the most likely scenario appears to be a labor boomlet, with public support and increased organizing, but tempered by an evolving workforce, the 58% disinterested in unionization, and the geography of American economic growth.

Alternatively, what if our historic reference point is wrong? What if the future of labor looks less like industrial and government unions of the past 75 years and more like the guilds of the High Middle Ages? More internally focused, guilds can still, through strict rules, define work conditions and prices, while proving less vulnerable to political and employer pressure. What if medical workers, data miners and critical slices of knowledge workers embrace a 21st century guild model? In the 21st century, it could offer labor a step back to the future. ♦

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**48 percent.**



# DANIEL YERGIN



ON

# Big Shovels, New Maps and Energy Transitions

After CERAWeek 2023—“the Super Bowl of Energy”—Brunswick caught up with the man at the heart of it.

**A** CHALLENGE IN WRITING ABOUT DANIEL Yergin is finding a new superlative with which to describe him. *Barron's* called him “oil’s oracle.” *The New York Times* dubbed Yergin “America’s most influential energy pundit.” *TIME* was less concise but no less glowing: “If there’s one man whose opinion matters more than any others on global energy markets, it’s Daniel Yergin.”

Yergin is the Vice Chairman of S&P Global and Chairman of S&P Global’s CERAWeek conference, the energy industry’s most important gathering, held annually in Houston, Texas. This year’s conference drew the CEO of practically every oil major as well as electric power and renewable companies, US senators and cabinet secretaries, energy ministers from around the world, trade group leaders, investors, executives—and, for the first time, leaders of major mining companies, illustrating mining’s key role in the energy transition. As both a speaker and moderator, Yergin was at the heart of proceedings.

It’s a position to which he brings more than 40 years of industry experience, a career that’s seen him advise the US and other governments, run his own research and consulting firm, and write extensively. His 1991 book, *The Prize: The Epic Quest for Oil, Money, and Power*, won a Pulitzer Prize. His latest book, *The New Map: Energy, Climate, and the Clash of Nations*, looks at the importance of critical minerals and mining to the energy transition, and was described by NPR as “a master class on how the world works.”

On the heels of OPEC’s surprise decision to cut output that sent oil prices soaring, Yergin spoke with Brunswick Partners Carole Cable and Stephen Power, two Global Leads of the firm’s Energy & Resources team. Their conversation, which has been edited and condensed, covered many of the issues on CERAWeek 2023’s agenda: “Navigating a turbulent world: energy, climate and security.”

**We’re seeing a lot of volatility in oil prices. What factors do you see shaping the oil market today?**

The two most important factors are how fast the Chinese economy rebounds and what the Federal Reserve does—to what degree do its interest hikes slow both the US and world economy. The spring banking crisis in the US adds further complications. The OPEC-plus nations are watching world economic growth very closely and responding to weakness in global demand, as we’ve seen with their production cuts in October 2022 and now April 2023. All this takes place in the context of what I’ve dubbed “preemptive underinvestment” in world oil and gas projects. There’s not a lot of spare production capacity. And demand will grow.

**Can you put today’s energy transition in some historical context?**

I really dive into that question to understand it in *The New Map*. All of the previous energy transitions unfolded over a century or more. They were really energy additions, not energy transitions as people may think about it. Oil overtook coal as the world’s number one energy source in the 1960s—and yet today, the world uses three times as much coal as it did in the 1960s.

This transition is trying to, in a quarter of a century, transform the energy foundations of a \$100 trillion world economy. That’s a pretty big ambition. And it doesn’t just happen by saying we need more ambition. It involves a lot of investment, infrastructure and innovation.

It’s pretty clear that oil demand is probably going to continue to increase at least into the next decade. Natural gas demand will continue to grow probably at least until around 2040. And while they may grow, their share of the energy mix—because the energy mix will get larger—will likely be smaller. The direction is clear, but I think many people have a hazy view of the timing and scale.

Chairman of S&P Global’s CERAWeek conference, Daniel Yergin speaks during the event in 2018.



**S&P published a landmark report on copper in 2022—why, of all minerals, did you pick copper? And what do you see as the report's key finding?**

We were reading reports from governments and international institutions all warning that the move toward net zero will dramatically increase the demand for minerals, but there was little specific quantification. And we focused on copper because copper is, as we put it, “the metal of electrification.” We wanted to know what all the big 2050 net-zero goals meant in terms of technology. And we went sub technology. How much more copper do you need for an electric car? How much more for offshore wind? We added it all up and saw that on top of traditional copper demand, there was this energy-transition demand. Basically, copper production supply has to double by the middle of the 2030s to meet the 2050 goals. And the current growth in supply doesn't come close to that pace.

We wanted to highlight the reality of a serious constraint to the energy transition that doesn't seem to be recognized. It can take seven years to bring a new oil field on. It takes 15 or 20 years or more to bring a major new mine on. And you're seeing this constraint in developed and developing countries, with permitting challenges and policy changes.

**Will Russia's invasion of Ukraine, and the energy crisis it helped spark, be remembered as accelerating—or derailing—the transition away from fossil fuels?**

I think it both has accelerated it while it's also focused attention on assuring that you have the conventional supplies you need to run your economy. In the United States, the Inflation Reduction Act (IRA) provides tremendous incentives in a number of directions.

But it's going to take time. You've seen people begin to grasp that. The thinking about the energy transition has become more sophisticated, recognizing the reality of how the whole energy system works. If you don't have energy security as you push toward a more renewable economy—to keep the lights on now, to keep factories working, to keep people in their jobs—then you're going to have a series of crises that will shake confidence, and create backlashes and delays.

What's been highlighted over the last year is that the wind and sun may be free, but the materials that go into renewables aren't. Offshore wind requires cement and metal. A wind turbine requires lubrication, which is an oil product. An electric car is 20% plastic and has two-and-a-half times more copper

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than a car with an internal combustion engine. The way I've described it in *The New Map* is we move from an era of big oil to big shovels—a lot of mining and a lot more mining needs to be done if we are to get anywhere close to the Paris Agreement.

What you're seeing happening in minerals and energy, by the way, is part of a larger trend. We're at the end of a three-decade era that began with the collapse of the Soviet Union and was followed by the extraordinary growth of China and its integration with the world economy.

I think we'll look back on this as the second age of globalization—the first one was before World War I. In this era, decisions were primarily made on the basis of the economic efficiency. We had this incredible growth of supply chains where there wasn't much thought about security, nationalism or resilience. In that period, it didn't seem necessary. The efficiency that came with the vast expansion of supply chains was an important element in keeping inflation low. People relied upon these global supply chains, and they grew and developed to an extent that, until COVID-19, people didn't realize just how intense the links were. Now we're seeing governments step in again in the name of national security and resilience. A few years ago, you didn't speak in favor of industrial policy in the US.

I wrote my first book on the origins of the Soviet American Cold War. As I was writing *The New Map*, I wondered if I was writing about a new Cold War. Increasingly, people describe it as that. But what makes this different is, even with all of the nationalism and protectionism, the economies of the US and EU and China are still so integrated. This is a much more complicated relationship. It's a kind of fragmented globalization. But clearly, there's this focus on critical minerals.

**Do you see more resource nationalization and protectionism coming from other jurisdictions?**

I think there's more intervention. I wrote a book some years ago called *The Commanding Heights*, which talked about the balance of confidence shifting toward markets versus government. And certainly the balance of confidence, if we can call it that, is shifting back toward governments and being less confident in markets, much more interventionist. National security and growing geopolitical competition are shaping those decisions.

And you're seeing companies having to deal with the whiplash of policy. Particularly in the US, administrations change, policies change. And yet the nature of these investments is long term—they unfold over

seven years, 15 years. That makes it hard. Governments and businesses have different incentives and time horizons.

Companies take a lot of risk in the early stages of an investment, make a big commitment and the fiscal terms are set. And then a different government comes in with different priorities and says, “That’s all established; there’s no risk. Why don’t we increase the tax?” It’s called the Obsolescing Bargain. It’s basically where, whatever deal was made to bring the investment into a country, the government, because it has more leverage once the project is up and running, changes the terms—the original bargain becomes obsolete. Those issues are being battled out in the United States today just as they’re being battled out in Latin America and other parts of the world.

**A landmark piece of legislation in this energy transition is the one you mentioned: the US’s Inflation Reduction Act. Are you seeing that affect energy companies’ investments?**

It’s the biggest piece of industrial policy that the United States has done for decades. And it’s mostly carrots rather than sticks—the incentives for investment are very high because of the tax credits and direct payments. Those incentives are so great that companies have to rethink their investment strategies. It also gives them the confidence to make bigger bets. What company is going to say no to it? It’s so attractive. Still, you’re not going to be able to do some things if you can’t get permits. And with a Republican House, there’ll be more scrutiny of the IRA.

The Inflation Reduction Act has something in it for almost everybody. It’s complicated to see what its relation to inflation reduction is—it will drive up the costs of welders and raw materials, for instance. It’s also about bringing supply chains home or to like-minded countries. But the IRA has multiple forms, and its impact is going to take time to measure. It’s clearly about climate. But it’s also about technologies and it’s very definitely a compete-with-China act.

It’s still going to take time to sort out all of the impacts it has. I’ve heard [the IRA] described as generational in its impact. I mean, it’s huge.

**What about other countries’ reactions to the IRA? How do you think they will respond?**

I think the main one to watch is Europe’s response—to what degree does the EU see this as unfair subsidies, as draining investment away from Europe to the United States? The European approach is more regulatory and directive, less focused on incentives.

Some companies across the energy spectrum

“WHAT’S BEEN HIGHLIGHTED OVER THE LAST YEAR IS THAT WIND AND SUN MAY BE FREE, BUT THE MATERIALS THAT GO INTO MAKING RENEWABLES AREN’T.”

**CAROLE CABLE**, a Partner in London, has been with Brunswick for the past 15 years as the joint head of the firm’s global energy and resources practice. Her focus is on mining and metals.

**STEPHEN POWER**, a Partner based in Dallas, leads Brunswick’s energy and resources practice in the United States.

I speak to are shifting some of their investments to the US as the incentives are very attractive. But there are the constraints: the materials, people and what’s going to happen to costs.

**What other constraints do you see in developing a critical-minerals industry?**

The issue of permitting is huge. It’s an issue for almost every company, whether you’re talking about conventional energy, offshore wind, solar or mining. And it’s happening in developed and developing countries alike. Permitting sounds like such a technical thing. How do you talk about permitting on television? What does permitting mean? Most people don’t know. Yet it’s really critical to being able to get things done—getting to a conclusion and not being in permitting purgatory forever.

**There still seems to be a disconnect between societal acceptance of mining and its role in the energy transition. How can mining companies better tell that story?**

That’s your area of expertise, so probably I should put the question back to you. There’s growing understanding, but I still don’t think people grasp how essential these activities are, the scale of them, how integral these minerals are to the transition, the strides that have been made over the last three decades in terms of the environment. It’s a constant process of education and the educational system doesn’t do a very good job of conveying these realities. People don’t look at wind or an electric car and think of the mining that went into making them.

In *The New Map* I tried to deal with these themes of energy transition and the mineral requirements—to help people understand that what people are talking about now in terms of energy transition is not like anything that’s ever happened before. I found as I traveled in Asia (the book has been published in 14 languages) that this book had been read very carefully—and it’s been read carefully by young people too, which I find encouraging.

**What’s your next book going to be about?**

Obviously, it could be in this arena because it’s all so interesting. But it’s hard for me to wrap my mind around doing a new project right now when we’re all living through that new map I wrote about: energy, climate and the clash of nations.

It’s also pretty hard to write a book. I have a rule of 3X: However hard you think it’s going to be, it’s going to be three times as hard. By the way, that sometimes happens to energy and mining projects, too. ♦





# Suzy Welch

In her part-time role as a business school professor, the Brunswick Senior Advisor and bestselling author is playing matchmaker between MBA students and industry. It's an

opportunity, often overlooked by both sides, that deserves attention, particularly in this moment of massive tech layoffs, she tells Brunswick Partner **MICHAEL FRANCE**.

PHOTOGRAPH: MARY BETH KOETH

**You published a piece in *The Wall Street Journal* entitled, “Are You There, M.B.A? It’s Me, Industry.” What has been the feedback?**

It took awhile to sort through the hundreds of responses to the piece—with a landslide of comments on the *Journal*’s site, but also on LinkedIn, Facebook, Twitter and Reddit. I can group them into four general buckets. First, there was a kind of “amen!” category of comments, mainly from MBA professors and current students, who said they hated the conveyor belt to “The Big Three,” (banking, consulting and tech). Then there was a category of comments from MBA grads who had defied the lure of Big Three, who were writing to describe their rewarding careers in industry. I loved those! Third, there was a bucket of comments from people in industry who said they thought my contention made sense on paper, but that, in their experience, their own company didn’t know what to do with an MBA when one showed up. And finally, there was a small group of comments from people who basically said, “MBAs are useless and industry is better off without them.”

**Did you hear from any CEOs?**

I received a few calls from CEOs at industrial companies that I know personally, and their take was pretty much the same across the board. The problem with snatching great MBA talent out of the jaws of The Big Three is that it takes a ton of time and money, and few industrial companies recruit with such a, say, “lavish” mindset. As one CEO put it, “Bain has a machine to get the people I want. We’ve got a machine, but it’s focused on building things. Maybe that’s not right, but it’s how we do it.”

**Do industrials do a good job of telling their employment narrative, as in why people would want to work there?**

Some do. They’ve been at it a long time, or the top team understands the importance of a compelling narrative. Others do a good job of telling their employment narrative because they have a sexy or popular brand. We all know that people love to say they’re part of a company that the world recognizes. “I work at Mercedes.” That kind of thing. But on the whole, based on anecdotal evidence from my students, I’m going to say that there is definitely room for most industrial companies to elevate their employment narrative.



### How could industrials do a better job attracting young talent, especially young tech talent?

It's going to be very hard to make the case to a brilliant young coder to go anywhere but the likes of Google, TikTok or Facebook, I have to be blunt about that. Those companies live and breathe to hire the "10x" engineers—the kind of engineers who deliver 10 times as much productivity and innovation as the next candidate in line. And like sports teams, these companies are so good at what they do now, they know about these engineers when they are in high school, or very early in college. I recall the CEO of a major social media platform telling me that he drove to Princeton in the middle of a gigantic ice storm one year to seal the deal with a freshman coder who was "next level." The CEO! And here's the thing: He still lost her to Facebook.

Luckily, most industrials are after a different kind of tech talent—the kind of software engineers or civil engineers who want to make cool stuff, and who love making it with people just like themselves, in terms of wonkiness. And so that's the narrative that industrials have to lean into. If you join us, you will be part of a team making products that will change the world, and you will be doing it with smart engineers like yourself. The story has to be about impact and community, and it has to pulsate with excitement.

### What is "Industry Bingo"?

I came up with "Industry Bingo" as a class exercise because I was frustrated that my smart, ambitious Stern MBA students were thinking of their careers almost exclusively in terms of The Big Three. I could stand up in front of class and say, "Don't forget that other kinds of jobs exist!" or I could get them to play a game where they were gently forced to confront all the different industries out there. Aviation, pharmaceuticals, construction, fitness, mining—the list is long indeed, with more than enough industries to fill lots of bingo cards.

### What do you hear when you talk to your students about pursuing careers in industry?

I don't hear much. Most of them don't even consider it. That's the problem. When I do hear about it, the general stance is, "Sure, working in industry sounds interesting—but how could we even make that happen? Where are those jobs? How do we even get them?" They say that because, by contrast to industry, armies of recruiters from The Big Three are on campus, in their faces with talks and meet-ups, tracking them down and selling them a very persuasive narrative. "Work for us—the money and benefits can't be beat, and even if you don't stay forever, you'll learn a lot and have a great credential on your résumé." Banking and consulting—and to a slightly lesser degree, tech—make it so easy that MBAs practically fall into these jobs as their end game. I call it "the expedience vortex."

Now, I don't want to knock The Big Three, by the way. I myself had a terrific run at Bain after I graduated from Harvard Business

School. As promised, the compensation couldn't be beat, and I needed it to pay off my student loans. My colleagues were smart and entirely wonderful people. I did learn a lot.

The world does need good bankers, and some people are born to be bankers, and should go that route. Amazon and Google and their like—they need good project managers, which is where most MBAs end up in tech. And again, some people are meant to be project managers. Power to them.

But there are many MBAs who have strong interests in certain industries, and they don't even consider building their careers there. I had a student who told me he had been obsessed with planes his entire life, but joining an aviation company after graduation had literally not dawned on him until after a round of "Industry Bingo." Kind of amazing, right?

### What are talented young graduates looking for from their careers today?

In a word, meaning. They want their work to help make the world a better place. Big Three recruiters know that, and they tell that story to the MBAs. That is, they paint a picture of how entry-level jobs in banking, consulting and tech improve humanity. If only recruiting narratives could win Pulitzer Prizes!

### Are there any themes, narratives or messages that industrial companies should deploy to "break through the noise" when recruiting on MBA campuses?

First, they need to be there—on campus—just to level the playing field. That's the hard part. The easy part is explaining how their work is exciting and important, because it almost always is, and how it's helping create the future. Students want and need to hear that. They need to hear that industrial companies serve a social purpose, because students want to be a part of something that does good. In addition, companies from industry could, and should, come with case studies of how careers have progressed at their companies—the variety of work that a career can contain, the different functions and roles, the expanse of it, really. Stories, stories, stories!

### What concerns do MBAs say they have about working for an industrial company?

Frankly, they are concerned about compensation. That's mainly it. And without a doubt, industry usually pays less than The Big Three—right out of the gate. So that has to be part of the narrative too. Face it head on. Industry recruiters need to say, "You may not make as much at the outset with our company, but someday, you could run a major division or a functional area or a whole geography. You could be our CEO." That's an exciting narrative—and true. It's such a massive differentiator! ♦

**MICHAEL FRANCE**, former Senior Editor at *BusinessWeek* and corporate lawyer, is a Brunswick Partner who co-leads the firm's global Industrials and Infrastructure sector.

*"That's the narrative that industrials have to lean into. If you join us, you will be part of a team making products that will change the world."*



# Rock Star of Taxation

IN 2021, THE CENTRE FOR TAX POLICY AND Administration, under the Organisation for Economic Co-operation and Development (OECD) and at the request of G20 leaders, announced an extraordinary accomplishment: 137 countries, representing 92% of the global economy, had signed an international agreement on a tax structure that included the framework for a global minimum corporate tax of 15%.

The new standard is part of a dramatic program, sweeping aside the last remnants of loose, longstanding rules that allowed corporations to shift revenue earned in a high-tax region to those with lower or no tax requirements. The proposals were presented as a “two-pillar solution”: first, reform existing tax

**PASCAL SAINT-AMANS** electrified tax policy discussions with his work at the OECD on the global minimum corporate tax and other reforms. He talks to **CARLTON WILKINSON.**

policies to shore up existing rules and adapt them to the digital economy; and second, institute a “floor” of taxation for all participating nations.

The moves came after years of policy reforms by members of the G20, including an end to bank secrecy, which facilitated tax evasion and money laundering. While many forces were at play, the crafting of the reforms and securing agreements was the responsibility of the Centre for Tax Policy and a team of 250 experts from 50 countries, led since 2012 by Pascal Saint-Amans.

A former official in the French Ministry of Finance, Saint-Amans came to the OECD in 2012. As a student in France, he had been fast-tracked into a role in public policy and administration (“by



accident, I ended up in tax,” he says), leading him to the French Ministry of Finance. His role there gained him expertise in global diplomacy and negotiations and ultimately led him to the OECD, which has served as a think tank and policy consulting resource for the leaders of developed countries of the world since the 1960s.

The newly agreed-upon policies still face implementation hurdles but have already caused a seismic shift in the outlook for business and potentially for many economies. One reporter called the two-pillar solution, “A massive change that has basically transformed the international tax landscape.”

A surfer in his spare time, Saint-Amans has a taste for adventurous challenges, in his life and in his work. In October of 2022, he stepped down from his position at the OECD to accept a role as Partner at Brunswick, based in Paris.

“My roadmap at Brunswick is to keep this global perspective in the work of businesses. The outlook for business has some great challenges. And that’s where I think Brunswick can be useful.”

#### **How has the role of the OECD changed from its inception?**

The OECD is originally the product of the post-World War as the organization to distribute the Marshall Plan. It was an arm of the West versus the East, the socialist countries of the USSR. Over time, it turned into an economic think tank for economic outlooks, while setting some standards, including on corporate governance, trade, investment, taxation.

With the global financial crisis around 2007 to 2009 and the emergence of the G20, there was a very brutal and significant change of global governance. The G20, being an informal body, needed organizations to feed it with substance. The OECD positioned itself as the organization to serve the G20. I was in charge of taxation, one of the hot topics dealt with by the G20.

The OECD today has 38 member countries, mostly the traditional Western countries—the US, Western European countries, Japan, Australia, New Zealand. But it has enlarged to include Eastern European countries following the fall of the Soviet Union and now, increasingly, emerging economies like Chile, Colombia, Costa Rica, Mexico, South Korea, Turkey. They are attracted by the very active role the OECD plays in the G20 context.

#### **How did you arrive at the two-pillar solution and what are the implications?**

Until the global financial crisis, we had an interna-

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TO BE TRUE.”**

tional tax system initially established by the League of Nations in 1928. The system clearly was no longer up to date. The global financial crisis revealed to the world that the system was broken, resulting in them losing massive revenue to tax havens. We at the OECD—me with Angel Gurría, then the Secretary General—proposed to address the issue.

We did it in three phases. The first thing we did was to put an end to bank secrecy, putting a standard to tax cooperation. The second phase—you had a divorce between the location of the work and the location of the profits, which may be in jurisdictions where you might have only two or three employees. We call that “base erosion and profit shifting,” or BEPS. Corporations were able to take advantage of the system to avoid taxes.

So that became a new four-letter word in the tax world and was the big project that was endorsed and strongly supported by the G20 leaders. In 2010-11, they agreed to fix the rules to make sure that companies pay their taxes where they have their activities. The US tax reform in 2017 drew on the changes we introduced to the international tax system.

Companies could still move more substantial operations to zero-tax or low-tax jurisdictions, as a cover to go on doing what they had been doing. So the tax challenge was not over.

Meanwhile, European countries mostly, but also developing countries, were quite frustrated with the tax challenges of the digitalization of the economy. How do you tax pure-digital players who may derive massive income from your territory without being physically present? The Europeans decided to act unilaterally to establish some digital service taxes. In response, the US took trade retaliation measures. So these issues opened the risk of trade wars.

We decided we needed the two-pillar solution. One pillar will be new rules to share the profits of companies among countries, to give more taxing rights to the market jurisdictions globally. Pillar two, in order to limit tax competition, we also needed to put in a floor—a global minimum tax. It was agreed by 137 countries, more than 92% of the world economy. It’s a once-in-a-century change—the last time was 1928.

I think the public was surprised when we delivered the end of bank secrecy in 2014. Nobody believed that we would do the BEPS work in two years’ time, which we did.

The deal on pillar one and pillar two came also as a surprise. I personally had some doubts at some point that we would be able to deliver. But we were on a mission.

### What kind of implementation are you seeing from the signatory states?

The reallocation of taxing, pillar one, requires a multilateral treaty, which in the US will have to be ratified by the two-thirds majority in the Senate. So the proposition isn't easy. However, the counterfactual option results in trade wars—so that makes me think that this will happen.

Pillar two, the global minimum tax, is a very smart design that makes sure that you don't need all the countries to implement for it to have an impact. It's enough to have a critical mass of countries for all the companies in the world to pay the minimum tax. You don't need to have the Cayman Islands or Bermuda on board.

The EU adopted the minimum tax at the end of 2022, becoming a reality in all EU members starting in 2024. This adoption by a critical mass of countries will have a domino effect. The UK, Japan, Canada are moving. So are a number of emerging economies but also low-tax countries. Switzerland is even amending its constitution to be in a position to comply with the minimum tax!

### Do you think the pressures of climate change are driving the willingness to discuss tax policy?

Oh yes, absolutely. The last thing I did at the OECD before leaving was to help the new Secretary General establish an Inclusive Forum on Carbon Mitigation Approaches, which is kind of a code name for carbon taxation. Carbon pricing is the better word.

Everybody agrees that we need to put a price on carbon emissions. I'm not sure anyone agrees on the way forward because putting an explicit price on carbon emissions very often results in the government losing elections, in the people demonstrating in the street. The Yellow Vests in France is a good illustration of that challenge. An emissions trading system can be a way forward.

The EU has adopted a Carbon Border Adjustment Mechanism [which taxes a select group of carbon-sensitive imports]. This mechanism will trigger some trade tensions. You have a number of countries including the US and China, using implicit carbon pricing through regulations. Others are using explicit carbon pricing.

And finally, you have the issue of financing the transition. If you talk to India, which took the presidency of the G20 on December 1, 2022, India will say, "The world is polluted, but you have ensured your development, your wealth by polluting for 200 years. Now that it's my turn to develop, I should stop? No way. Provide the funding, the financing."

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**CARLTON WILKINSON** is Managing Editor of the *Brunswick Review*, and formerly an award-winning journalist and editor for *TheStreet*.

So it's a multicolor issue that is about the most efficient and economic routes to putting a price tag on carbon, the best international cooperation to avoid tensions, and the Global South issue of funding the green transition. It's massive and it's uncharted territory. It's urgent as well. So, a big headache for everybody. Diverging interests in the short term; they'll come together in the long term, to protect the planet from burning down.

### Are the multinational corporations on board with the global minimum tax?

It's challenging in terms of compliance and impact on your tax profile. But we've turned the page from the League of Nations. We're in a new world. It's no longer the '80s, the '90s, the early 2000s, where you have the tax guy taking care of tax and you tell him, "The less tax I pay, the better off I am." Now it's, "Am I able to defend the tax profile of my company to my shareholders, to the investors who care about ESG, to the public that may care about having massive amounts of money in tax havens, to politicians across the world?" I think this clearly makes it urgent to bring tax into the C-suite, into the boardroom, to have a check on the business's tax policies. Companies will really need to pay attention to this in all the countries they operate in.

Does anyone like to pay more taxes? No. And that's perfectly legitimate. However, the system was not sustainable as it was. Companies have started to understand that it was too good to be true. The status quo would have resulted in unilateral measures that are not good for business. This long-term vision of countries in some form of tax war or trade war—that still is the threat if the solutions we found are not implemented.

### Taxes in general are not a particularly sexy topic. Has it been a struggle to break through that?

It's interesting. When I started my career, you would say at a dinner, "Oh, I'm the tax guy," and everybody would kind of vacate around you. Now, I'm considered the "rock star" in taxation. I've made people, the public, sensitive to the tax challenges, making them realize that it's not a dry technical thing. Rather, it's at the core of the social contract. Consent to tax, compliance with tax is at the core of the social contract in societies which are experiencing increases of inequalities and some serious challenges in terms of social cohesion. So, in spite of the technicalities of international tax, it actually is pretty sexy, if you want to use that term. It turns out it's a topic that actually mobilizes people. ♦



**A**S A DEPUTY COMMISSIONER OF THE US Food and Drug Administration, Dr. Amy Abernethy won praise for modernizing the agency's technology and data practices.

But just as speculation was rising that Abernethy would be chosen next to lead the agency, she departed to join Verily, the health tech venture of Alphabet, where she serves as President of Product Development and Chief Medical Officer. This newly created position puts product development under one leader versus multiple business unit presidents. In addition, Abernethy leads clinical teams across Verily. Before joining the FDA in early 2019, she practiced oncology, taught at Duke University School of Medicine and helped lead a health tech startup. Twenty-seven triumphant months later, she joined Verily, formerly Google Life Sciences, a venture that boasts high ambitions and an all-star roster of talent.

Abernethy says her goals at Verily include improving the design of clinical studies, the process by which people participate in medical research and the productivity and efficiency of clinical trials. Abernethy spoke about her experiences and hopes at Verily with Brunswick Partner Tanisha Carino and Brunswick Director Jennifer Sukawaty.

**Day to day at Verily, how are you influenced by your previous roles? You've worn so many hats—practicing clinician, professor of medicine, health tech executive, a leader of the FDA.**

A close look at my career may suggest that I've done lots of different things. But zoom out, and you can see I've been focused on one problem, and I keep trying to find different ways of solving it.

When I was a melanoma doctor in a clinic, I was haunted by the idea that the person sitting in front of me was more likely to die than get access to treatments being discovered in laboratories on the other side of the wall.

Lowering that wall has been the focus of my career. We can't just bring every prospective new treatment out of the lab and give it to patients, because we don't know what's effective, and we don't know what's safe.

But we have to build better, faster systems for improving the life of that person sitting in front of me, and technology can help us do that.

What's at stake? What's possible? Melanoma offers a glimpse. When I was in the melanoma clinic, the chance of a person with stage three melanoma dying in five years was 50%. These days, with BRAF inhibitors, and PD-1 drugs, and better ways of taking

# MEDICAL SUPERSTAR

At the intersection of technology, research and clinical care stands Verily's **AMY ABERNETHY**.  
By **TANISHA CARINO** and **JENNIFER SUKAWATY**.

PHOTOGRAPH: COURTESY OF VERILY





care of yourself and your immune system, we don't even know the survival rates of melanoma. We just assume people are going to live a long time. We haven't been able to redefine the end.

**Your biography on the Verily website states that you are determined to bridge the gap between clinical research and clinical care. What does that mean?**

Could the research process be made more efficient? Could it be speedier? Could we get the best evidence into the healthcare delivery process more quickly so that, when we're taking care of patients, we do the best of what we know?

Clinical research is conducted almost in a terrarium, under very controlled circumstances. We create an artificial world to get an answer that's intended ultimately to be applicable to the real world. Meanwhile, in clinical care, we are trying to figure out how to match the best treatment available to an individual's needs at that moment. Bridging the two can create not only economies of scale but also improved outcomes.

We can start to leverage data from clinical settings to inform research studies so that we reduce the data-collection burden and improve the efficiency of conducting research. This produces higher-quality information, which ultimately provides us better instructions about how to take care of patients.

The data sets that we need to inform research are inherently longitudinal. We live life across time. If we want to improve care delivery, we have to not only make clinical choices but update those choices as we monitor people across time.

**Speaking of size, you sit inside an organization that has mastered scale. But how is that going to work for the individual who, for instance, goes to start chemo next Tuesday?**

What's exciting about the talent base, capabilities and horsepower behind Verily is that we can move toward something that is needed but that has been hard. That felt compelling to me.

But in healthcare you've got to start small. You've got to be humble enough to say, "You can't always build for billions." Sure, we have the resources and expertise to start making potentially significant improvements in the evidence generation process of clinical trials. The implications of that are big.

But the potential for small, important steps forward was clear during a recent visit to an eye clinic in Louisiana. We visited that clinic with a retinal camera, or fundus camera, which we developed with

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Google. The camera is very lightweight and easy to use and could support retinal imaging in retail and primary care settings. This camera does not require the patient's eyes to be dilated, which for the patient adds significant time, cost and the inconvenience of limited vision for several hours. So, the camera would both save the optometrist and ophthalmology clinic time conducting retinal screenings and get adequate images to support diabetic retinopathy screening at scale by being adopted in a broader range of settings.

Google initially did ideation and user research around retinal cameras—how might we radically improve the access to retinal imaging and improve the patient and clinician experience? They brought this research to Verily, which we subsequently developed into what is now called the Verily Retinal Camera.

When this camera was brought to us to continue to develop and get ready to commercialize, it suddenly went from this idea of being able to develop an easy-to-use camera to asking the question, "Does this have commercial viability? Is this something that we can figure out what the reimbursement strategy around it would look like?" If you want things to work in healthcare, they have to be successful businesses, too.

So, it goes from this fairly research-based project at Google to something that, now, is quite tactical for Verily. When our team started to work on this camera, we figured out how to get a reimbursement code for it, how to make sure that it could be used in primary care practices. Then, we started it out at only a couple of clinics in the very beginning. Not only because we had a limited supply of cameras, but because we had to figure out how to best deploy them and teach the nurses.

That all happened at the end of 2022. The camera worked. But I said, "Yes, we want to continue to develop the camera. But let's ask a bigger question: How does the availability of pictures of the back of the eye now open up new capabilities as it relates to bridging research and care?"

As you may have seen in the news recently, images from the back of the eye can identify a person at risk of several conditions—Alzheimer's disease, neurologic disease, cardiovascular disease.

Now, we can start to imagine doing diabetic retinopathy screening and asking patients for permission to sign up for a registry, where we can follow them longitudinally and connect the dots between what we know about the picture from the back of the eye and how their diabetes is faring, or open up

our understanding even beyond, to their risk of cardiovascular disease.

Then, how do we bring the AI teams into the story? If we've got people signed up to participate in longitudinal registries using our camera, willing to dedicate and donate their information, how can we put that to work for heart disease? And then, how do we connect that up to other products that we have in the suite?

There's another technology that began at Google that we're starting to use at Verily. The first part is something we developed here at Verily for research purposes. Our virtual stainer technology takes an unstained pathology slide, which is transparent, and turns it into digital images with the H&E stain—the pink and purple ones that pathologists usually look at underneath the microscope.

This produces clinical findings just as vivid as if we'd stained the patient's tissue with many different stains. It's completely wild—this idea that you can literally peer inside the tissue and understand what's going on without adding anything that disrupts the tissue, or changes the coloration, or anything else. We see virtual stainer as fundamentally changing pathology just like digital cameras removed the need for developing film.

Again using technology developed at Google, we now use AI to make new predictions that we couldn't before—new ways of measuring whose disease might progress or not. Those two things were developed at Google as early stage ideas. Now they come into Verily so we can work to bring them to market.

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**What advantage does being part of Verily offer you in terms of breaking down the walls between clinical research and practice? Let's say, compared with your previous experience in academic or government medicine?**

Sitting inside an academic health system, I had defined a problem I felt passionate about solving, but I topped out on two things. I topped out on access to talent, especially engineering, and access to capital.

To do anything at scale, we needed those two things. The reason I went to Flatiron [the healthcare startup where Abernethy worked as an executive before joining the FDA] was because those were the two things that I could see suddenly getting unlocked in totally different ways.

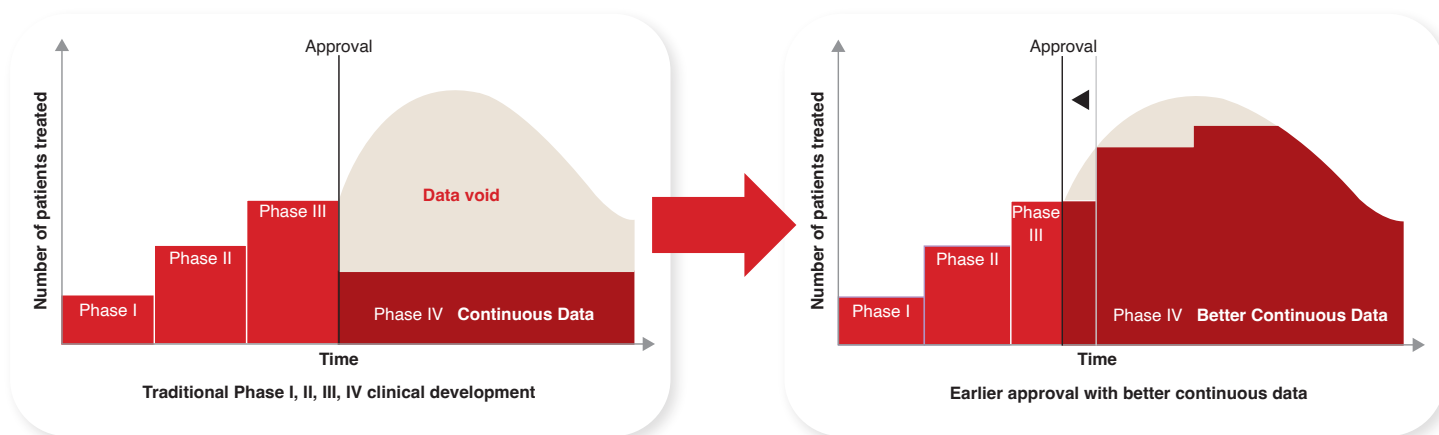
Now, talent, scale and capital are what make Verily so compelling.

Importantly, this isn't just one kind of talent. It's best-of-the-best software engineers, molecular scientists, data scientists, AI engineers, biostatisticians, clinical trial experts and medical clinicians. The difference between now and 10 years ago is that there's a widespread understanding that these different pieces must come together.

You frankly just can't have an engineering organization solve these kinds of big problems, any more than any one clinical organization could do it.

That's something I learned at Flatiron: how to bring together these disparate specialists and experts, get them talking to each other and respecting each other.

## THE SHIFTING EVIDENCE-GENERATION LANDSCAPE



**BETTER CONTINUOUS DATA**  
can enable faster approval for effective new treatments.



Second thing I would say is you can't just "tech-nify" everything. Software isn't enough. You need a services component. You need people in the system. At Verily, we have a spectacular team doing participant recruitment for clinical trials. And we have the best in digital marketing. Think about what we can do as a company with Google's heritage.

But many of our patients who are being recruited to participate in clinical trials still need a warm phone call. That phone call and the warm introduction to a study coordinator at a site is what builds trust and answers the questions that real people have.

That's hard to do with chatbots alone.

**Almost two years into this role at Verily, is there anything you would do differently if you were starting over?**

When I first arrived at Verily I was responsible for the clinical research business. I started with the mindset of focusing on my business line, the mindset of staying in my lane. Get my stuff done.

What I wish I'd done was a long walkabout to learn everything in all the different zones here at Alphabet and Verily. For example, I may have learned months, even years, earlier about the retinal camera. What I learned is to be curious across your organization and outside it.

By joining Alphabet during the pandemic, I missed out for some period of time on the value of meeting new people and learning new information from across the company. It's common at tech companies to move so fast and focus so tightly that you also lose access to all of the great ideas that are happening outside your organization—you can also lose competitive intel.

**The randomized controlled trial has been the gold standard for a long time, since long before the creation of the internet. Should it still be the gold standard?**

The randomized controlled trial is a critical tool in our toolbox that does the important job of helping us understand if an intervention is more effective and safer than whatever it was that it was being compared to in the circumstances where that kind of comparison is required.

There are a number of different flavors of the randomized controlled trial. And, we have the opportunity of innovating on the future of randomized controlled trials.

You probably saw the RECOVERY trial, which was a UK-based platform trial for studying different

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interventions to treat COVID at the same time. They basically had one common control arm and then just kept studying a whole bunch of new treatments against that common control. Why randomize everybody one to one? Why not make it eight to one?

That's one way to handle it. Another way to handle it is to do what needs to be randomized but rather than collect every data point anew, fill in the data set with data that has already been collected in other places. This way you preserve randomization and reduce the burden of conducting a trial for the patients and clinical site who are participating in the research. And that's certainly one of the things I focus a lot on at Verily.

It's important that we're not lowering the evidence standard. We should be making sure that things work with enough confidence and credibility that we believe that it's safe and effective enough to get in the hands of the public. Importantly, like we saw in COVID and in cancer care, these might be shorter or smaller clinical trials that get treatments into the clinic sooner.

We should not have to wait forever to make the decision about whether a treatment is reasonably safe or effective. Instead, we can create systems that allow us to make a reasonably informed decision, and then continue to monitor things across time, and update the decisions that we've made by continuously cross-checking.

A good example here that's playing out right now is cell and gene therapies, where there are life-saving treatments. Many times, the effect size is huge, so you don't even need a randomized trial to know if it works.

Why would we not want to get it into the hands of people with sickle cell and other diseases who need the treatment? Let's figure out a path toward making that happen.

But also, let's monitor that treatment for long periods of time to make sure that these viral vectors don't go astray, or that the treatments continue to be safe enough or effective enough across time.

If we can come up with better systems to cross-check the decision that we make, then our anxiety about the perfect randomized controlled trial goes down, because we are confident that we will cross-check the decision at later points in time. ♦

**TANISHA CARINO**, a Partner in Brunswick's Washington, DC office, has held healthcare leadership positions in government as well as the private and nonprofit sectors. **JENNIFER SUKAWATY**, a Director in Brunswick's San Francisco office, specializes in crisis and healthcare.

HOW DOES PERSONAL STRUGGLE BECOME collective cause? How does trauma evolve into action? How can the pronouncements of one echo the hopes of many?

Questions that undoubtedly crossed the mind of Patrick J. Kennedy as he was leaving Congress in 2011, after serving Rhode Island's 1st Congressional District for more than 15 years. During that time, he was lead author of the groundbreaking Mental Health Parity and Addiction Equity Act (known as the Federal Parity Law), which requires insurers to cover treatment for mental health and substance use disorders no more restrictively than treatment for physical plagues such as heart disease and kidney failure.

Patrick J. Kennedy is the youngest child of the late US Senator Edward Kennedy, and the nephew of two



# Profiles in Courage, MENTAL HEALTH Chapter

political martyrs—President John F. Kennedy and Attorney General Robert Kennedy.

Leaving Congress in 2011, Kennedy started a journey of personal recovery as well as an effort toward collective healing, by founding The Kennedy Forum. A center of research and leadership, the Forum states that its vision is to “create a future where diagnosis and treatment covers the brain and the body.”

Kennedy's fight for accessible mental healthcare and the ending of the separate and unequal treatment of addiction marks the beginning of a battle that remains far from won. That Americans need more and better mental healthcare was laid bare in particular by the pandemic.

In the paragraphs that follow, Kennedy describes the future of mental health policy and the need for a national movement around it, in conversation with Vassilis Koutsoumpas, a former Intern in

Former  
Congressman  
**PATRICK J.  
KENNEDY** and  
the fight for a  
national  
mental health  
movement.

Brunswick's Washington, DC office, and MPP candidate at Georgetown University's McCourt School of Public Policy.

**Your campaign for mental health reform exposed you to stigmatization. Yet, in part because of your efforts, there is much greater interest and willingness today to place mental health at the heart of policy debates. Have we reached the point where we can openly discuss mental health issues in the public sphere?**

To be honest, I didn't really choose to be the leader of mental health and addiction policy when I went into politics. I was the youngest member of Congress when I got elected. It says a lot about where stigma was at the time, that as the youngest member of Congress from the smallest state in the country, my name went first on the Mental Health Parity and Addiction Equity Act. And the only reason that happened was



because I had gotten elected in spite of the fact that I was outed as someone who suffered from the disease of addiction.

The story is known. A fellow that I had been in drug rehab with sold his diary, a story basically of being a roommate of mine, to a tabloid. I ended up on their cover as a “drug addict.”

I certainly felt that that was going to be the end of my very short-lived political career. But something strange happened. In my district, people were more upset that the guy had ratted on me than that I had suffered from drug addiction.

I got elected. Now that addiction wasn’t a thing I had to keep secret anymore, I had the freedom of sponsoring a bill with the words mental and addiction in it. No one else wanted to put their name on such a bill.

Today, amongst young people it’s easier to talk about mental health and addiction, but the older generation still has trouble openly discussing these issues. Old attitudes and stigmas persist. We’re more open about it, yet a lot of folks don’t want to talk about it.

I am writing a book, *Profiles in Mental Health Courage*, which will come out next year. I am trying to feature folks who haven’t told their story yet—talk about them, their families and how mental health has affected their lives.

### Is your work as an activist helped at all by your accomplishments as a legislator?

When I left Congress my first priority was to get sober again and focus on my own mental health. However, I knew that I wanted to continue with my advocacy. So I started The Kennedy Forum to help enforce the Federal Parity Law, knowing that it was going to take a long time to get the bill really implemented. It takes a long time to unravel the decades of that discrimination.

A few weeks ago, President Biden issued a proposed rule to enforce the Mental Health Parity and Addiction Equity Act. The rule is the most in-depth and specific regulation that dives deep into requiring insurance companies to be transparent on how they make medical management decisions. How do they determine what care you get, what level of care you get and how long you get care? Because their financial interest is to limit care. The Federal Parity Law forbids insurance companies from limiting mental health in the same manner as care for cancer, cardiovascular disease or diabetes. This new proposed rule requires them to prove that there are no limitations through intense and forensic auditing.

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It is a physical illness. Anybody who has a brain illness will tell you this is not about personal choice. No one wakes up on any given day and decides, “I’m going to try to lose my job today. I’m going to alienate and upset all my friends.” If you think about it, no human being “in their right mind” chooses to live their life that way. In some cases, it probably started with them using drugs or alcohol voluntarily, but they lost the power of choice along the way. That’s the disease of addiction.

Now, if they have schizophrenia or bipolar disorder, we certainly understand the chemistry there. We know how loaded the genetics are, that it’s not a matter of personal choice. And we’re understanding a lot more about depression and anxiety, which both have a genetic risk level, just as a cancer would. We’re understanding that these are biologically based illnesses. Not like they ever weren’t, but we’re better at understanding it today.

**Could you speak to the need for what you’ve called a “national strategy and advocacy movement”? I love that idea. What would that entail?**

We had the #MeToo Movement. We had the Civil Rights Movement. We had the Labor Rights Movement and we’ve had the Environmental Movement. Now all of these have required really active citizen

**In May 2005, then-House Representative Patrick J. Kennedy spoke about healthcare reform at a press conference alongside House Representative Tim Murphy (far left), former House Speaker Newt Gingrich (right), and US Senator Hillary Rodham Clinton (far right).**



engagement. They've all had people identifying themselves as advocates and then communicating that to their elected officials. They have organizations that represent those issues, that outline a list of priorities they want elected officials to adhere to, which of course requires action and accountability. And then they organize events, they vote and they donate. They have political action committees.

We have none of that in mental health and addiction. We need a new national strategy and advocacy movement. We've got 26 million Americans who are living in long-term recovery from addiction, but you never read about them. All you read about are the overdose rates and all you see are the car accidents and other tragedies of people suffering from these illnesses.

A lot of members in recovery want to be anonymous at the level of press, but that doesn't mean they can't be active citizens on behalf of mental health. In fact, the founder of AA, Bill Wilson, testified in front of Congress. We need to learn how to engage our people so that we can bring the same level of organization and advocacy as these other movements.

If we're all silent because we feel so shamed by our illness, the politicians don't hear from us. Turn out, protest, organize. In politics and democracy, the squeaky wheel gets the grease.

**Has the entrance of Gen Z, a generation much more accustomed to speaking openly about mental health, resulted in any substantial improvement in corporate America. Or is the private sector more focused on "talking the talk" than "walking the walk"?**

I was reading an article which stated that employees with fair or poor mental health missed 12 days of work per year, costing the United States economy \$47 billion. I would say that's very conservative, because it's not just those with fair or poor mental health; it's those who have a diagnosable illness. And it doesn't account for those who aren't coming back to work.

Post-pandemic, this is now a premium issue for CEOs. It's not just the domain of HR anymore. It costs a lot of money to recruit, train and then manage. And then on top of that, people are staying only a short period of time because the younger generation is constantly moving onto the next job. A lot of that is because they don't feel like their company is doing enough for them from an economic perspective but also a mental health perspective.

On every level, we need the active engagement of the Business Roundtable, Fortune 500 companies, states and labor unions. We need them to come in and help us think how to change the systemic approach. And that's what the "Alignment for Progress" is doing.

"Alignment for Progress" is our big effort this fall where The Kennedy Forum is producing a major vision document backed up with a multitude of curated policies under each area of government, from justice to food security to human services to housing to education.

There's no aspect of society that isn't impacted by mental health, nor is there a function of both government and private sector that can't make a difference in addressing the burden of these illnesses.

**Your work has inspired many young people, myself included, to work on issues and causes we care about. Are you optimistic about what lies ahead?**

I really am. These issues have been accepted by Democrats and Republicans, and our approach is bipartisan. It's not about the ideology. It's all about the facts. It's the same solution, whether you're a Democrat or Republican.

The investment needed in mental health is huge, and the long-term payoff will be huge. But we need to make sure we realign the system so we get the kind of system we ultimately want. ♦

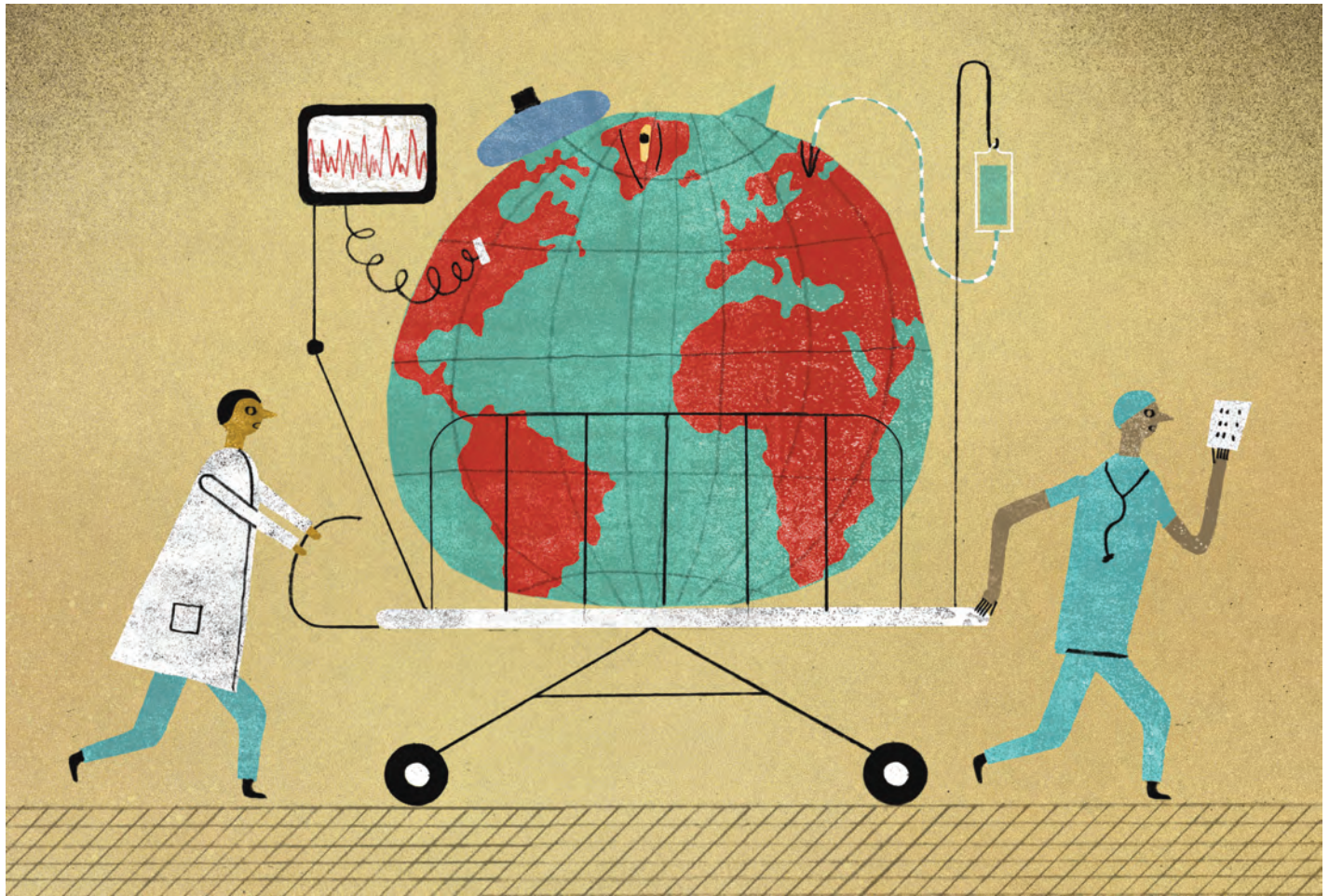
**"TODAY, AMONGST YOUNG PEOPLE IT'S EASIER TO TALK ABOUT MENTAL HEALTH AND ADDICTION, BUT THE OLDER GENERATION STILL HAS TROUBLE OPENLY DISCUSSING THESE ISSUES. OLD ATTITUDES AND STIGMAS PERSIST."**

**VASSILIS KOUTSOUMPAS** is a former Intern in Brunswick's Washington, DC office, and MPP candidate at Georgetown University's McCourt School of Public Policy.

PHOTOGRAPH: BRENDAN SMIALOWSKI/GETTY IMAGES







# Prescription for a Healthy Planet

**T**HE INEXTRICABLE LINK BETWEEN HUMAN and environmental health is impossible to ignore. This year's searing heatwaves, wildfires and floods have fueled air pollution, disrupted food supply, enhanced the spread of pathogens and exacerbated myriad diseases from asthma to malaria.

Sadly, things look set to get worse. Climate change is now ranked by the World Health Organization as the single biggest health threat facing humanity, projected to cause 250,000 additional deaths every year between 2030 and 2050.

However, a warming world is not only impacting health. The multitrillion-dollar healthcare industry

As the climate crisis deepens, Stanford Medicine is leveraging science and smart working practices to counter the threat to health.

By **BEN HIRSCHLER** and **JENNIFER SUKAWATY**.

is also affecting the climate. Although healthcare as a sector may not get the attention of traditional smokestack industries, the world's vast array of hospitals, clinics, support services and pharmaceutical factories have a mighty carbon footprint.

If the healthcare industry was a country, it would be the world's fifth-largest emitter. Globally, healthcare is responsible for nearly 5% of emissions—and this increases as systems become more sophisticated, with the US health sector estimated to be responsible for a hefty 8.5% of national carbon emissions.

The implications are profound for a business whose mission is to protect and promote health. Perhaps more than any other sector, healthcare has a unique responsibility to put environmental sustainability at the heart of its operations—not just by curtailing emissions, but by acting to tackle the adverse health impacts caused by an overheating planet.

The critical intersection of climate and health is now moving up the agenda, as policymakers and individual citizens experience its impact in day-to-day life, and businesses across the healthcare value chain face mounting environmental pressure from



employees, investors and governments.

The issue is also gaining traction on the international stage—exemplified by a landmark decision to hold the first Health Day at this year’s COP28 climate meeting in Dubai. The discussions on December 3 will aim to build a consensus on priority actions for the health system’s response to climate change.

So, what exactly can be done? Few places have a better insight into the challenges and opportunities than Stanford Medicine, the medical school and hospital complex headquartered in Silicon Valley with a long and storied history of biomedical innovation.

Lloyd Minor, MD, the scientist-surgeon who leads the Stanford School of Medicine, is today putting climate center stage in the belief that while the scale of the problem may be daunting, the situation is not hopeless. Instead of despairing, Stanford’s faculty, doctors, hospital administrators and medical students are working on a growing range of projects to tackle the issue piece by piece.

“Climate change is already adversely impacting human health and it will probably continue to do so at an increasing pace in the future. It is, for sure, a danger to everyone. But when we really put our minds to a problem and come together, we can do incredible things,” Minor said.

He draws inspiration from the COVID-19 pandemic and humanity’s ability to develop a vaccine in less than a year—in defiance of all expectations—thanks to the application of groundbreaking science and new models of collaboration across businesses, academia and governments.

In the case of climate change and health, he acknowledges the problem is a lot more complex and the adverse health manifestations far more diffuse. “That means finding the place where we can have maximal impact is harder, but it doesn’t mean we should back away. We need to find actionable targets and then commit to intervening where we can have the greatest impact.”

As a first step, healthcare professionals, policy-makers, businesses and society at large need to understand the precise nature of the problem—including the fact that each fraction of a degree of global warming makes a real difference to millions of lives. At 1.5°C warming, for example, the Intergovernmental Panel on Climate Change (IPCC) estimates that 14% of Earth’s population will be exposed to severe heatwaves at least once every five years. At 2°C, that number jumps to 37%.

The message is stark. Turning up the planetary thermostat will translate into more direct deaths

**“I WANT OUR BUILDINGS TO BE MUCH, MUCH SMARTER—AND THIS ISN’T SOME RINKY-DINK STATEMENT, BECAUSE THESE HOSPITALS ARE BUILT LIKE ROCKET SHIPS.”**



**Helen Wilmot**  
Chief Facilities and  
Sustainability Officer,  
Stanford Health Care

from heat-related cardiovascular, respiratory and kidney failure—but this is just the tip of the iceberg. More heatwaves also mean more wildfires, stoking air pollution and increasing rates of asthma, pneumonia and lung cancer. A warmer world also fuels the spread of infectious diseases as increases in temperature and humidity encourage the spread of mosquito-borne diseases like malaria, dengue fever and Zika, while storm damage aids water-borne infections such as cholera and leptospirosis.

Crucially, the health burdens of the climate crisis are not equally distributed, with the most vulnerable in society disproportionately affected, whether they are living economically precarious lives in the scorching US Southwest or on the flood plains of Bangladesh. This makes climate a challenge not only for public health, but also for equity.

Taking effective action to address all these problems requires breaking down the challenge into manageable segments. Given the breadth of expertise within the university, Minor believes Stanford is in a unique position to play a leadership role—from pioneering interdisciplinary research to implementing conservation regimens in its state-of-the-art hospitals.

Last year’s opening of the Stanford Doerr School of Sustainability, after a \$1.1 billion donation from John and Ann Doerr, is particularly important in seeding new initiatives that move beyond traditional silos. The gift was the largest ever to a university for the establishment of a new school.

“It puts Stanford in a special position. There are lots of synergies between Stanford Medicine and the Doerr School, and we now have initiatives in climate and health that are sponsored jointly by our two schools,” Minor said.

One example is the university’s work in synthetic biology, where researchers from both schools are working on processes with huge potential to decarbonize swathes of the economy, including the plastic-heavy healthcare sector. Future applications range from the production of biologically based plastic-like materials to lab-engineered meat.

At the same time, Stanford Medicine is incorporating climate change in the curriculum to ensure that the next generation of practitioners have the issue front of mind. The move follows the creation of the Stanford Climate and Health group in 2019 by students and faculty members, which is now integrating materials on climate and health into every preclinical course.

The task of applying rigorous environmental standards across the university’s hospitals falls to

Helen Wilmot, a former critical care nurse who is now Chief Facilities and Sustainability Officer for Stanford Health Care.

Energy efficiency is a major focus in her drive to decrease the carbon footprint, including not only greater use of solar and other green electricity sources but also innovative building design, like energy-efficient cooling systems that use natural convection currents to move the air inside patient rooms. “I want our buildings to be much, much smarter—and this isn’t some rinky-dink statement, because these hospitals are built like rocket ships. I need to find a way to turn the dials, both figuratively and literally, to optimize operational efficiency, while ensuring the same safety levels and giving physicians the operational flexibility that they need,” Wilmot said.

This needs to be supplemented by other less obvious changes in the way hospitals operate, from re-sterilizing unused surgical equipment—rather than throwing it away—to rethinking which anesthetics to use.

One of the more startling facts of modern medicine is that some inhaled anesthetics produce greenhouse gases that are thousands of times more potent than carbon dioxide. By one estimate, global emissions of such anesthetics have the same climate impact as CO<sub>2</sub> emissions from 1 million cars. Stanford has taken a lead in changing clinical practice by drastically reducing use of the common anesthesia gas desflurane in favor of less damaging alternatives,



**“CLIMATE CHANGE IS ALREADY ADVERSELY IMPACTING HUMAN HEALTH AND IT WILL PROBABLY CONTINUE TO DO SO AT AN INCREASING PACE IN THE FUTURE.”**

**Lloyd Minor**

MD, Dean of the  
Stanford University  
School of Medicine

eliminating 1,200 tons of greenhouse gas emissions in the process.

And the hunt is on for other ways to reduce the carbon footprint. This has been spurred on by a 2022 seed grant program that awarded \$135,000 to nine Stanford clinicians to advance healthcare sustainability research projects. Initiatives to date include reducing unused supply waste in the operating room, increasing the use of telehealth in delivering tobacco cessation services and improving sustainability within the hospital food system.

There is, however, only so much that Stanford can do on its own. As with most other industries, the lion’s share of emissions are derived from the healthcare supply chain. These so-called Scope 3 emissions include the production, transport and disposal of goods such as pharmaceuticals, medical devices and other hospital equipment.

“This can’t be accomplished without suppliers as partners. We have to address the incentive system so that the suppliers manufacture products that last longer and can be reused, rather than the current situation where the supplier’s incentive is simply to sell more disposable items,” Wilmot said.

Key to the whole process is understanding that upfront investment in greener ways of working can deliver not only environmental benefits but also a more sustainable commercial bottom line. In this respect, Wilmot is encouraged by the US Inflation Reduction Act, which has significant funding available to help organizations cut greenhouse gas emissions.

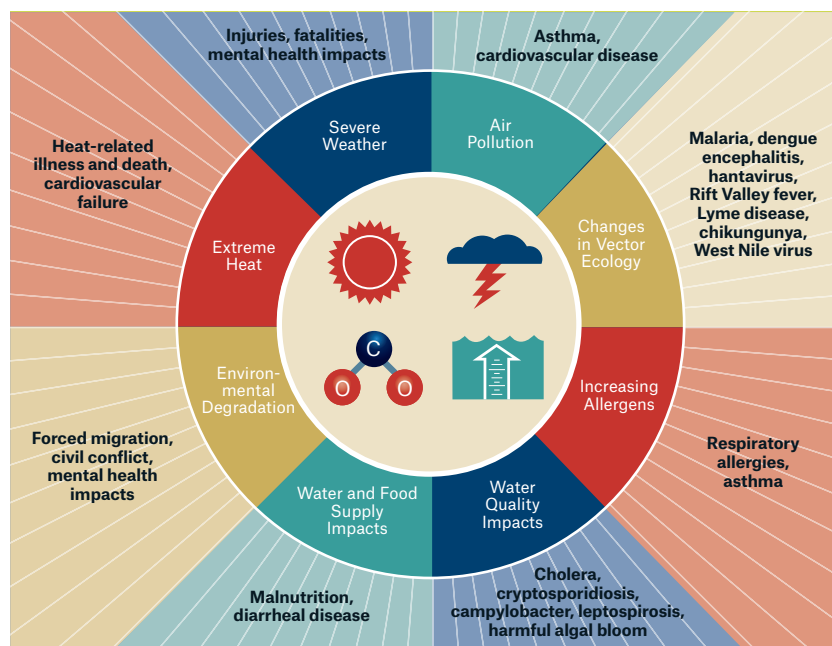
“There are hospitals in the middle of America that are running on very tight margins. So, we must figure out what are the scalable initiatives that can be done in any hospital,” she said. “If you can deliver a return on investment, for example in terms of energy consumption, then you can demonstrate value to the organization.”

Changing the direction of the supertanker that is the global healthcare sector is clearly a formidable task. It requires engagement and commitment across one of the most complex value chains in the modern economy. But it also needs leadership from institutions with the talent and resources to act as role models.

“This is part of our job as a brand of Stanford,” said Wilmot. “We are not here to be mediocre. We are here to make a difference.” ♦

**BEN HIRSCHLER** is a Senior Advisor based in Brunswick’s London office and a former global pharmaceuticals correspondent for Reuters. **JENNIFER SUKAWATY**, a Director in Brunswick’s San Francisco office, specializes in crisis and healthcare.

## IMPACT OF CLIMATE CHANGE ON HUMAN HEALTH







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**P**ERMISSION NEEDED TO TRAVEL. STRICT LAWS about what to wear. Driving forbidden. Those were a few of the norms for Saudi women in the Kingdom—until recently.

I was born and raised in Saudi Arabia as an expat. I had an incredible childhood there, a fact very much at odds with people's expectations: "Didn't you feel oppressed as a young girl growing up in Riyadh?" As many expats did, I lived in a compound that sheltered me from the outside world, but it also exposed me to many cultures and other foreign nationalities living there. The freedom within the compound walls was comforting, but of course it hid a much darker reality. Growing up in the 1990s, I saw my mother and her friends navigate a society where their roles were largely confined to the private sphere. Women had limited opportunities for education and employment, and their freedom was restricted by strict guardianship laws. Saudi Arabia was a place where the guardianship system cast a bleak shadow over the lives of its women and their dreams were often muted by these limitations.

Today, the Kingdom is engineering a revolution to raise the status of its women. Under Vision 2030, an ambitious plan to diversify the Saudi economy and promote social and cultural reforms, Saudi

# WOMEN & SAUDI ARABIA

Arabia has witnessed a surge in women's participation in the workforce, with women taking up roles in sectors that were previously unthinkable. From entrepreneurship to tech, Saudi women are making their mark and contributing significantly to the country's development. Launched in 2016, the plan already has had significant impact.

Hawazen Nassief, a member of the Board of Directors and Chair of the ESG Committee at Tanmiah Food Company, recounts the positivity of this change: "Today in Saudi, if you are a working woman, you can become a pilot, an engineer;

Female rights and opportunities may have been a long time coming in the Kingdom, but now they are coming at remarkable speed. By **YOUNNA NAUFAL.**



Young women help organize an educational event on driving in Jeddah, 2018—the year Saudi Arabia lifted its ban on women driving.

PHOTOGRAPH: CRAIG RUTTLE/REDUX



you can become so many things that in the past, for example when I graduated from college, were not on the table. We've seen so many improvements in labor laws, in diversity and inclusion laws and maternity laws ... mothers now have more rights in relation to their kids. For example, in the past women could not issue their own family card or IDs for their kids; only the father could do that; but now mothers can."

According to a recent report from S&P Global, there was significant progress in expanding the female workforce in Saudi Arabia, reaching 36% of the total human capital in 2022, up from only 19% in 2016, surpassing Vision 2030's target of 30%.

Echoing that sentiment is Dina Alnahdy, Chairwoman of the Circular Economy Company, a sustainability consultancy firm with international and national expertise to unlock new business potential for private sector and government partners in KSA: "I feel proud of the tremendous change and very relieved to know that future generations will not have to struggle as we did. The doors of opportunity have opened. Every aspect of Saudi society was impacted. In the workplace for example, we witnessed it firsthand. We went from walking into a ministry with no women at all, to walking into the same ministry a month later with mixed gender employees working side by side."

Many believe this change was long overdue and saw signs of hope in the 2000s with the gradual loosening of restrictions on women's participation in the workforce. With each passing year, additional opportunities opened up for women in Saudi Arabia. One of the most significant milestones came in 2011 when King Abdullah bin Abdulaziz al-Saud announced that women would have the right to vote and run for office in municipal elections. In 2013, the Shura Council, Saudi Arabia's consultative assembly, welcomed its first female members—women would now be able to contribute to the policymaking process and represent the interests of Saudi women at the highest levels of government.

The year 2018 marked another turning point with the lifting of the ban on women driving. Many women celebrated this as a momentous occasion of independence. In 2019, the Ministry of Justice announced that women could now travel abroad without the permission of a male guardian. In 2021, Saudi Arabia introduced laws to combat domestic violence and protect the rights of women. This was a crucial step toward ensuring the safety and well-being of women in the Kingdom. These legal reforms sent a clear message that violence against women would not be tolerated, and it was

According to  
a recent report  
from S&P  
Global, there  
was significant  
progress in  
expanding the  
female workforce  
in Saudi Arabia,  
reaching  
**36**  
percent  
of the total  
human capital  
in 2022,  
up from only  
**19**  
percent  
in 2016,  
surpassing  
Vision 2030's  
target of  
**30**  
percent.

a significant stride in safeguarding women's rights.

One of the most heartening aspects of this transformation is the profound impact it has had on younger generations. Young Saudi women have much greater access to opportunity, and they are seizing it with enthusiasm. One example is Basma Bouzo, CEO at &bouqu and Co-Founder and Director at Saudi Design Week. Basma started the Kingdom's first arts and culture publishing house and developed the first event for Design: "With Vision 2030, we're definitely moving the needle in the right direction. Women's participation in the workforce and economic activities at multiple levels has taken massive strides already. Now it's a matter of building on that and hitting the milestones. We now have our seats at the table."

Women in Saudi Arabia are now active participants in the cultural scene, whether it is as musicians, artists or filmmakers. Haifaa Al Mansour became the first Saudi female filmmaker to have her movies featured at the Cannes Film Festival in France and to compete for the Golden Lion at the Venice Film Festival.

In May 2023, Rayyanah Barnawi, a stem cell and breast cancer researcher, made history as the first Saudi woman to venture into space, inspiring a new generation of aspiring astronauts.

Alnahdy stresses that, "Today, nobody can have excuses anymore. It is difficult to sympathize with anyone who says that things cannot be achieved. Back in the day, you needed to find ways to go in and around things, but that is no longer the case. Our Crown Prince raised the bar locally and internationally and we as a nation have a responsibility to achieve with excellence."

Women worldwide have fewer opportunities for economic participation than men, less access to basic and higher education, less political representation, fewer leadership positions, less autonomy, less access to justice and overall, less equality. Gender equity and inclusion still has a long way to go globally. But in a country that 20 years ago was cited as one of the worst for gender equality, there is substantial progress to report.

For me—expatriate or not—Saudi Arabia still feels like home. I'm proud of its women, and I'm fortunate to have witnessed their resilience and determination. As Hawazen Nassief said: "Today, the sky is no longer the limit in Saudi. Saudi women have made it to space. We can go beyond the skies and dream big." ♦

**YOUNNA NAUFAL** is a Director advising clients in Saudi Arabia and the UAE.

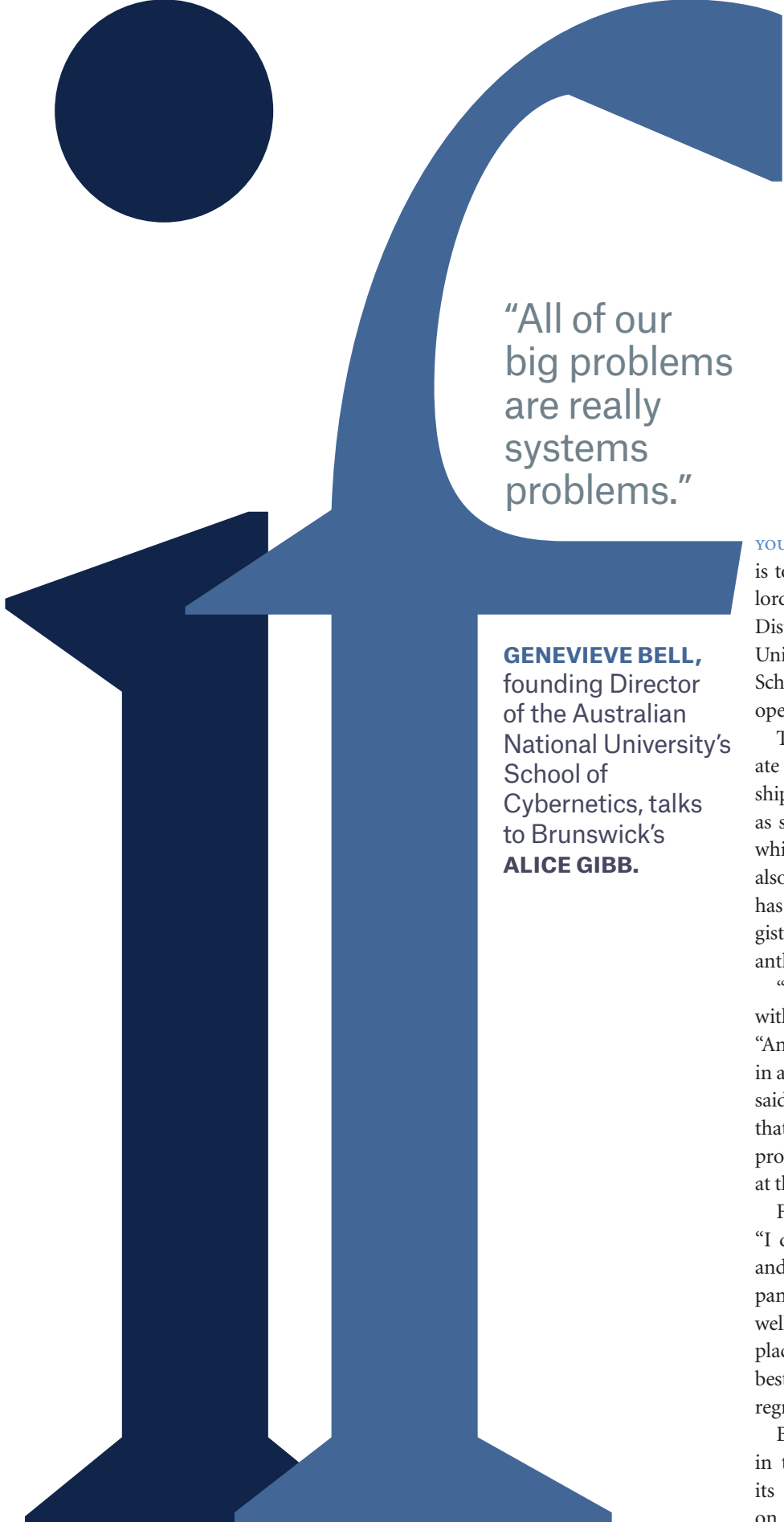




# The Cyberneticist

A dancer interacts with a flying drone in an Australasian Dance Collective performance, an example of a research and education collaboration from the Australian National University's School of Cybernetics.





“All of our  
big problems  
are really  
systems  
problems.”

**GENEVIEVE BELL,**  
founding Director  
of the Australian  
National University’s  
School of  
Cybernetics, talks  
to Brunswick’s  
**ALICE GIBB.**

**YOU BELIEVE THE DESTINY OF THE HUMAN SPECIES**

is to be servants or even victims of our AI overlords, Genevieve Bell would like a word. She is a Distinguished Professor at the Australian National University and the inaugural Director of the School of Cybernetics, the first new school to be opened at the university in at least 40 years.

The School of Cybernetics is intended to create a space to build new ideas on the relationships between humans, technology and ecology as systems and to develop a vocabulary through which to analyze and adapt those systems. Bell is also a Senior Fellow at Intel, where for 25 years she has been the chipmaker’s resident anthropologist. She holds a Ph.D. from Stanford in cultural anthropology.

“You might reasonably ask, ‘How does a person with that set of skills end up at Intel?’” she says. “And I have a good Australian answer: I met a man in a bar in Palo Alto, and he asked me what I did. I said I was an anthropologist. And he said, ‘What’s that?’ I said, ‘I study people.’ And he said, ‘Why?’ I probably should have guessed he was an engineer at that point.”

From that conversation, she wound up at Intel. “I quit the university system that I understood, and I moved to a town I’d never lived in, to a company whose business model I understood even less well than the technology they were making, to a place that was a cube farm. And it was the single best decision I’ve ever made in my life, and I never regret it.”

Bell is considered an important global voice in the debate around artificial intelligence and its role in human society and now also serves on the Australian Prime Minister’s Science and

Technology Council, a small advisory group across the sciences. She is also a non-executive director on the board of the Commonwealth Bank of Australia, Australia's largest bank.

The word “cybernetics” was coined by mathematician Norbert Wiener in the aftermath of World War II, when researchers from mathematics and many other disciplines—including Margaret Mead, the famed anthropologist, and John von Neumann, the inventor of the ENIAC, the first programmable electronic computer—were looking at the implications of the West's growing technological prowess. They sought ways to describe and improve the dynamic relationships involving technology.

*“Systems  
only become  
really  
visible when  
they're not  
working.”*



GENEVIEVE BELL

“For me, cybernetics is theory and practice,” Bell says. “It’s the theory of, and the approach to, building complex systems that have humans, technology and the ecology in a constant dynamic relationship.”

The field’s influence on the internet has left us with the prefix “cyber-” to refer to pretty much any digital network activity. But it also spreads into many other fields, including social dynamics, climate studies and creative projects as far flung as rock star David Bowie’s famed Berlin trilogy.

The systems’ focus and collaborative, multidisciplinary approach of cybernetics’ founders are reflected in Bell’s drive to turn her new school into an arena for diverse ideas.

“One of the joys of being an anthropologist in a company of engineers is being on teams that never looked or sounded like me,” she says. “You learn to find comfort and indeed celebrate leading teams that you can’t use shorthand with. Because you don’t have shared experiences or reference points.”

#### **What does cybernetics have to offer to the 21st century?**

All of our big problems are really systems problems. Whether it’s vaccine rollouts, masks, policies, or ships stuck in the Suez Canal shutting down parts of global trade, distribution of everything from toilet paper to pasta—all of those felt like systems problems. Systems only become really visible when they’re not working. There’s a whole series of systems that are hugely important in most of our lives, and we don’t have the vocabulary for talking about them.

Cybernetics provides a vocabulary for thinking about complex dynamic systems that are always about the relationship between the human, the ecological and the technical. So it’s never just the people or the technology, but it’s about the interplay of all of that stuff. As leaders, we’re not necessarily trained to see things as a system or think about, “If this is a system, where are its edges and where are my points of intervention, leverage and control?”

#### **How do you see the work in the 1940s serving as a model for leaders now?**

For me there are three big ways. First, in the 1940s, they understood the notion of iterative-ness. You’re going to prototype or iterate your way to the answer.

In the 21st century, that process is contrary to what we’re told—move faster, work smarter, get stuff done. One of the lessons for me from this particular crew was, speed is fine, but you actually have to come back to conversations over and over again. The first answer isn’t the best answer, and there’s something about the ritual of conversations that unfolded.

Second is this notion of a plurality of voices in the room, what that meant. People were going to argue, and arguing was a feature, not a bug. You wanted to create space for productive discomfort, where you were going to have to be sitting with ideas that didn’t sound like yours from people who didn’t sound like you and often didn’t look like you—multiple contested ideas in the room, over and over. Being uncomfortable can be a productive space out of which new ideas might be generated—not always, but they can be.



The third point for me is a notion of grace. You wanted to make an idea that was strong enough that it would hold its form to get from your hands to someone else's, but not so rigid that it discounted someone else being able to do something different with it. They hoped they were building ideas that would last 100 years. They hoped they were building rules that people would go and do something with—strong enough to hold their own, but not so much that it resisted being changed.

The engineering version of that is “strong opinions, loosely held.” You need to hold ideas with grace and the ideas themselves must be graceful enough to survive challenge and adaptation.

*“It isn’t  
just about  
the pieces,  
it’s about  
the whole.”*



## LINE STUDY

The ruins of the 19th century structure in Strangways Springs, in the outback. The repeater station on the Overland Telegraph Line became the center of a town for workers, Indigenous Australians and travelers. Right, the remains of poles and ties mark the route of the Line.

Distinguished Professor Genevieve Bell was chosen to deliver the inaugural Ann Moyal Lecture of the National Library of Australia, a series showcasing contemporary questions in various fields of knowledge. Bell’s talk focused on the Overland Telegraph Line, built in the 19th century to connect Australia, and also, via undersea cable, connect the continent with the rest of the world. Dismantled in the 1970s, the Line represents a discrete system that engaged vast global networks of supplies, cultures, disruptions and transformations—a case study in interrelationships of technology, people and ecology. Bell zeroes in on one site, a “repeater” station, Strangways Springs, that became a colonial town full of different cultures, one that involved and disrupted the ancient community

### Have we lost some of that, both the collaborative spirit and the broader view on critical technology?

Yes, it is startling to me, and I have been thinking about it a lot recently—the move from cybernetics to artificial intelligence in particular. From talking about complex dynamic systems that are about the relationships between the human and the technical, we went to, “We’re just going to make the machine simulate the brain.” I feel like something got lost in that moment.

We’re in the very early days of AI, so it’s hard to judge. But we’ve started from the notion that we can break things down into small enough pieces that



of Aboriginal people. Her talk is replete with the names and personalities of people, families, animals and places.

“By grounding this study of the Overland Telegraph Line in particulars,” she said, “I hope to remind myself that any large system—any cybernetics systems—will unfold somewhere, with someone, and that those somewheres and someones matter a great deal.”

With this small patch of a large tapestry, Bell reminds us that no robust system is ever two-dimensional, but extends out in all directions, intersecting other systems with their own networks. It offers lessons that apply equally well to the internet and metaverse.

“Part of the reason for wanting to unfold a story like this is that it’s pre-digital, but it’s all the same pieces.”

the machine can do all the work, and you don't ever have to think about the corpus or the whole. It leads you to be careless in some ways about how the pieces all fit back together again. It would be a bit like talking about food by giving people ingredient lists and never talking about the finished dish.

Because it isn't just about the pieces, it's about the whole, and about the whole's relationship to other things. That feels to me like a very hard conversation we need to have and a deeply urgent one. On the other hand, we're open to more voices in the conversation than they were then.

### Are you worried about AI and Generative AI tools like ChatGPT?

I was in a room full of very smart people the other day, who were basically trying to explain to me that the robots were going to kill us all, because it was inevitable.

Let's just pause for a minute. We all grew up steeped in science fiction stories, which have a very particular vocabulary: The computational object understands us, but is going to kill us. Suddenly we have this technology that feels uncanny and familiar because we've grown up with those stories.

But that doesn't mean the story that we grew up with is true. Those stories were one of the ways we actually played out our anxieties. We're not doing ourselves a particularly good service imagining those stories are true.

We need to remember they were stories we were telling ourselves about what might happen, not what was going to happen.

### Are you optimistic or pessimistic for the future?

I always think I'm not either of those things. I'm just committed to building a future I want to live in, a future that is going to be, well, better than the present in which we find ourselves.

Alan Kay, who was at Xerox, used to say, "The only way to predict the future is to build it." If you want an optimistic future, just build it. The future is absolutely makeable, and we make it every day. So there's something about having some agency in those conversations that feels really important.

### How does all this manifest in your work at the School of Cybernetics?

We're really interested in collaborations, for one thing. We've worked on how to partner with various organizations in really different ways—with the National Library, the National Gallery, Meta and Google, for example.

## At the HELM

"Cybernetics" comes from the Greek word, *kybernētēs*, to pilot or steer, an image that reflects the founding group's concern for environmental feedback informing the construction, control, responsiveness and responsibility of emerging technology. For Norbert Wiener, who coined the word, humans stand at the helm of their new technology and must be able to guide it in the real world, taking into account environmental factors.

## BEER to BOWIE

Producer Brian Eno was David Bowie's principal collaborator on the groundbreaking albums, *Low*, *Heroes* and *Lodger*, all recorded in Berlin in the late '70s. Eno applies cybernetics principles in the recording studio, inspired in part by the work of British organizational psychologist Stafford Beer, who said, "Instead of trying to specify [a goal] in full detail, you specify it only somewhat. You then ride on the dynamics of the system in the direction you want to go."

We're collaborating with the Australasian Dance Collective in a series of performances involving people and drones dancing together. Professor Alex Zafiroglu is the lead researcher on that. It's a completely different way of thinking about what drones can do, not drones as fantastical spectacles but drones and the human body. So, how would we think about this, not just human-computer interactions, but rapport and empathy between computational objects and people? The dancing does a delightful number on your head. That's been fabulous to watch.

There has been a lot of talk of late about how you would detox AI. One of the real virtues of cybernetics is that it insists that you have humans in the conversation; it is about the relationships between humans and computing, not humans as a thing you're engineering out of the system or something you put in at the end.

Certainly, the way we've enacted cybernetics here is rebooted for the 21st century. We've been really determined about what it should look like here in Australia. Where I am currently is on the lands of the Ngunnawal and Ngambri peoples here in Canberra, Australia. These lands have been occupied and lived on for more than 20,000 years. The largest technical systems near me were built 20,000 years ago and were probably used last weekend—a very large set of fisheries that were built a very long time ago.

So we're always really acutely aware that we are talking about building the future in a place where people have been building the future and imagining systems for 60,000 years. All of our work proceeds from the fact that we're in a place where that's both our legacy and our responsibility. We graduated the first Aboriginal person with a master's degree in the college's 50-year history. I promised her on the day she graduated that she would not be the last—and she won't be.

As a very small child, my mother sat me down and explained to me, "You have a moral responsibility to make the world a better place. And it has to be better not just for yourself, but for everyone else." That usually means, better for the people who couldn't find their way into the rooms where those decisions were being made. You were responsible for making sure that the world was more fair and more just.

That's what we're working toward. ♦

**ALICE GIBB** is a Director in Brunswick's London office. She previously worked for communications agency Lansons in London and has held marketing and communications roles at MetLife and Anglo Irish Bank.





The Port of LA has been ranked the No. 1 container port in the Western Hemisphere for the past 23 years.

# A Port Authority on the Great Untangling

**T**HE COVID-19 PANDEMIC MADE CELEBRITIES out of physicians such as Anthony Fauci, Scott Gottlieb and Rochelle Walensky. More surprising was the sudden ubiquity of Gene Seroka, Executive Director of the Port of Los Angeles, America's busiest port.

Ports usually operate in obscurity, despite functioning at the heart of the economy: In the US, 90% of all purchased goods have been stowed in a shipping container and passed through a port.

When a pandemic-induced domino effect created supply-chain disruptions, Americans wanted to know why shelves were empty, and when they might be restocked. Just like that, a media star was born. Authoritative, articulate and reassuring, Seroka explained the logjam in terms everyone could understand, believing it his obligation as a public official to make himself available daily. His team created a newsroom and studio at the port. "Gene did hundreds of media interviews and stakeholder

What caused the logjam?  
What eased it?  
What's the economic outlook? Insight from **GENE SEROKA**, Chief of America's busiest port.  
By **STEPHANIE HEISE**.

updates via Zoom throughout the pandemic," says Phillip Sanfield, the port's Communications Chief.

A decades-long leader in shipping, global logistics and executive management, Seroka performed so well during the pandemic that his boss—then-LA Mayor Eric Garcetti—gave him the additional job of Chief Logistics Officer for the city.

In January, Seroka spoke with Brunswick Director Stephanie Heise, a member of the firm's global Industrials and Infrastructure sector.

## What makes ports in general so critical?

Here in Los Angeles, we're the largest port for containerized cargo in the Western Hemisphere. The business that moves through this port reaches each of our 435 congressional districts, and the sheer expanse of this infrastructure is 7,500 acres, 43 miles of waterway, 27 terminals, 270 berths for ships.

Ports account for about 31 million jobs in the nation and roughly 17% of our GDP, or a little more than \$5 trillion. US ports are very important to our economy from Main Street to Wall Street, state capitals and just about everywhere in between.

## How did you address the record congestion and supply chain challenges, both on land and sea?

This was a series of episodes we had not witnessed before, so first we had to get a good understanding

of what was transpiring in our trade corridors globally, nationally and regionally. We started off, in the United States, with a change in trade policy back in the spring of 2018 that reintroduced the concept of tariffs, retaliatory tariffs, and shifts away from primary trade partners.

When COVID-19 hit in March 2020, we saw business just plummet with “Safer at Home” orders, and directions for governments around the world to try to protect the citizenry. At that juncture many of us business observers and folks in between didn’t know what was going to happen next, to the health and safety of our families, to the US and global economy.

In the summer of 2020, the American consumer’s buying power took off like no one had ever witnessed. With the inability to get on airplanes to go see grandparents or go to ball games or movies, we began to spend on retail goods, and we just kept spending.

The outcome of that [for the Port of Los Angeles] was 25 consecutive months of peak-season volumes. Longshore members were working an average of six days a week. The cargo was so voluminous that it was like taking 10 lanes of LA freeway traffic and squeezing them into five.

We were setting records every month, but there was still so much more cargo behind it to manage. While ships backed up in the Pacific, importers came unglued because they couldn’t get their products quick enough, store shelves sat empty, and companies started ordering no longer just-in-time but now just-in-case. There were so many mismatches, so much timing dislocation.

All of this was just epic, history-in-the-making right before our eyes. This wasn’t 10% growth, but 25%, 30%, 35%. How do you grapple with that?

At the Port of Los Angeles there are some 200,000 companies that use our facilities to import and export every year. And no one company, even the largest American importer, has greater than a 5% market share. There are 20,000 truckers registered to do business at this port. There are nine or 10 traditional-liner shipping companies that bring our cargo across the Pacific every week, and during the pandemic we had no fewer than 15 new entrants that had turned their ships away from traditional markets in Asia and the Middle East. There are probably 400 to 500 intermediaries—forwarders, brokers, third-party logistics companies that play a big role in the process.

From an order being put into a factory in Asia to it getting on your shelf in the Midwest, there are probably no fewer than a dozen handoffs. It’s very nuanced, very detailed and in some cases very

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**Gene Seroka**  
Port of LA  
Executive Director

confusing as to who the go-to people are, and what levers you can really pull.

What we did was, we collaborated. We were working very closely with the incoming administration; in fact, just after inauguration, President Biden issued an executive order on supply chain, and a specific review of commodities in particular.

He then formulated a Supply Chain Disruption Task Force that was tri-chaired by the secretaries of Commerce, Transportation and Agriculture. Following that, he named the first port envoy, John Porcari, who was in charge of bringing all of these port entities and their stakeholders together.

There was probably not a day, including weekends, when we weren’t on the phone with folks in Washington, Sacramento, industry people, trying to coalesce around all that we were witnessing, and determine what we could do to create solutions.

For a long time, there had been areas of fragility in the supply chain that the pandemic and this buying surge illuminated. If I had to capsuleize it, what we found was that the industry needed an IV. It needed more information, and it needed greater velocity of the cargo that was moving.

In our case, what we found was that there were very rich contract agreements for storage with some of our nation’s largest importers, where in a particular instance, that large importer could store their cargo at the Port of LA for 40 days without charge. And that agreement was made without consulting me or anyone else with the Port Authority.

People were using the port as a warehouse, not a transit facility. Now, we pride ourselves on decades-long relationships up and down the supply chain. Having worked overseas for more than a decade in the private sector, I’ve gotten to know people across this supply chain. We tried diplomacy, collaboration, we tried meetings with the White House and private sector partners. But we couldn’t move the needle.

We decided, with the White House, that we were going to implement a fine for anyone whose cargo was sitting nine days or longer. It was gut-wrenching because these are people I’ve known for a long time, I count on their business and their partnerships.

We announced this on Monday, October 25, 2021. And it was met with a thud. I got letters from legal departments and lawyers, I got left off of holiday card lists. But within about two weeks, we started to see a drop in those aging containers at the port. Within a month, I think, we were down by about 25%. And that number continued to decline, which meant we got a lot of cargo out into the marketplace.



What we saw was that all this cargo that was ordered just-in-case was sitting on top of cargo that was really needed. Think of parts and components going to manufacturers, toys that are very seasonal for the year-end holidays, even hospital apparatuses that needed to get to our healthcare workers, as we were grappling with, then, the Delta variant, whether it be the IV setups, ventilators or other machines that come in from overseas. Those categories had been buried beneath cargo that wasn't as urgent, but now it was moving.

As it turned out, we had the best retail sales year in our nation's history in 2021. We had the best holiday sales in our country's history, with about 8.5% growth. And we made it through a cycle of about 13 months after that without charging one dollar in penalties. We never charged, never collected. It was simply the threat of this fine after all the data mining we did, after all the work we did with the stakeholders, that loosened up this bottleneck and allowed cargo to flow more freely.

Our industry rallied around the thought that we feed, house, clothe and care for America, so we're just going to keep moving cargo.

#### **Did these unprecedented circumstances create an unprecedented demand for communication?**

Our industry usually works under the radar. But suddenly we had nonstop news coverage: helicopters flying over the port counting ships, *60 Minutes*, Lester Holt's *NBC Nightly News*, and a variety of other media outlets descending on the port. The pandemic raised the awareness of those who observe us, those who finance us, those who govern us and the public at large.

We converted our main conference room into a television studio. I did Zooms every day in 2020, and much of 2021, with not only the media, but also manufacturers, businesses, financial companies. Anyone who wanted information, the Port of LA became the place to go. We began holding monthly press conferences in early 2020, and we continue to do those. We get 30, 40, sometimes 60 media outlets around the globe. I basically give an update, not only on the Port of LA, but the state of whatever's going on, whether it's labor negotiations or whatever.

#### **Is the raised visibility a good development?**

I had a boss in Los Angeles, Mayor Eric Garcetti, who just left office after completing his two terms, who wanted us to be more visible on issues of trade, labor, environmental sustainability. The spotlight is never too bright for us. We're in Los Angeles,

**"WE HAVE A  
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CARGO-HANDLING  
PORT BY THE  
YEAR 2030,  
AND A  
ZERO-EMISSION  
HEAVY-DUTY  
TRUCK PORT  
BY THE YEAR  
2035."**

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**STEPHANIE HEISE** is a Director in Brunswick's global Industrials and Infrastructure sector based in New York.

entertainment capital of the world, the largest container port in the Western Hemisphere: eyes on you all the time.

That said, this sudden and intense media interest wasn't planned or choreographed. When the Safer at Home orders came down, and our world shut down on March 8, 2020, the question was, "How are you going to get the truth out there?" People were wondering, "What's really happening at the port?" "Where are my goods?"

We felt we had an outsized responsibility and, more than anything, the willingness to get out there and make sure people had the information they need. A couple of snippets of videos became live shots that became regular participation in media conferences.

I feel a deep debt of gratitude to my colleagues for pushing me to that position, giving me the confidence. We have folks in our organization who went to journalism school, who ran newspapers, who majored in film in college. They brought all of their knowledge to our effort to be informative and transparent. I also feel a sense of pride that we did it the right way and people counted on the information we were sharing.

#### **Does the port, as a department of the City of LA, have an obligation toward transparency?**

Absolutely. Across the board. Coming from the private sector into the government sector, I was encouraged by the Mayor to run this like a business, but with the caveat that we had to strive every day for transparency, accountability, visibility, *et cetera*.

Coming from the industry, I can talk in very clear and distinct language. Combine that with the high expectations that this municipal government has on transparency and accountability, and I believe we handled it well. We gave people the facts, even when the facts weren't pretty.

#### **Is sustainability a goal for the port?**

Compared to 25 years ago, the advances that we've made in sustainability are unrivaled worldwide. We have a commitment to be a zero-emissions cargo-handling port by the year 2030, and a zero-emission heavy-duty truck port by the year 2035. No other port in the world is even close to uttering those kinds of statements.

Now, we've got a long way to go. The technology has got to push harder and faster, and we've got to have great investment and funding streams. But this is an area where I think we've got a real chance to get companies, global brands, well-capitalized firms, on board and interested in what we're doing. ♦



# CAMPAIGN Manager

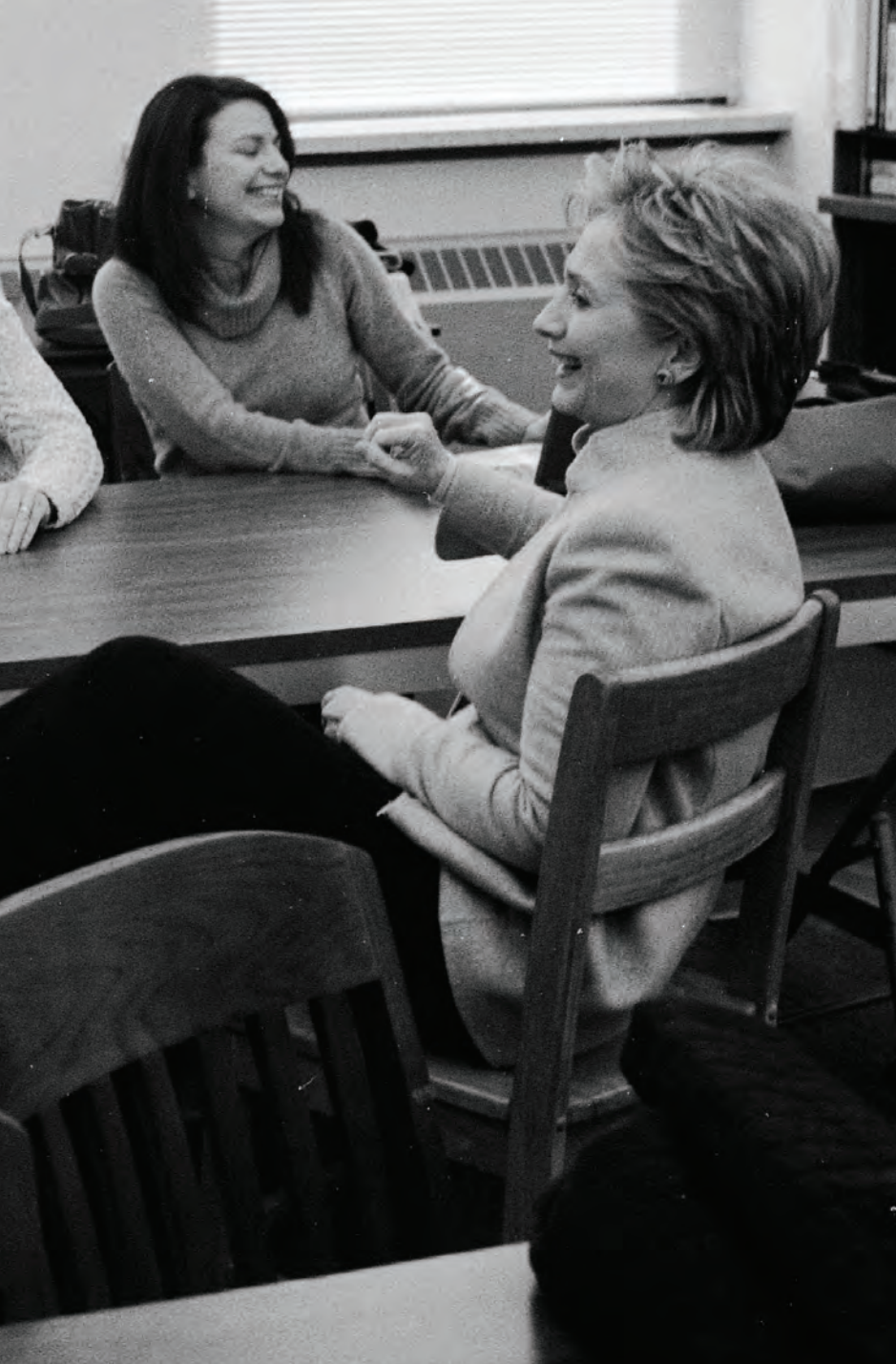
*To understand why Brunswick clients seek out Patti Solis Doyle's analysis of next year's US elections—and to get us into the spirit of the campaign season—we asked her to tell us a story from the campaign trail. Her response is a personal account of setback, resilience and redemption. It also offers insight into American electoral politics. A Chicago native and Northwestern graduate, Solis Doyle is a Brunswick Partner and Head of the firm's US Public Affairs offer.*

WAS HILLARY CLINTON'S PRESIDENTIAL CAMPAIGN manager in 2008, a job that many people advised me not to take because the first campaign manager often is not the last. But it was an awesome job and an awesome responsibility, and I believed—and still do believe—Hillary Clinton would make an incredible president. I'd first met her in 1992 when I worked on [her husband's] presidential campaign. I thought I had the trust of the candidate, like no other campaign manager before me. I knew the risk, but I was inspired by her and committed to the cause.

She was the front runner for many months until she was not. In the very first caucus of the race, she not only lost, she came in third. That ended two

From the pieces of a career seemingly shattered, **PATTI SOLIS DOYLE** staged a mighty comeback.





things: Her front runnership, and the sense of inevitability around her candidacy. It also made clear that her opponent, Barack Obama, was a very serious candidate. For our campaign, fundraising got harder. Some polls went down.

And amid a growing sense that a change was needed, I was fired. This was front-page news, nonstop broadcast news, around the globe. It was incredibly public, and personally the biggest failure of my life to date. I did what I think anybody in my position would have done. I took to my bed, got under the covers and cried a lot. I watched all the coverage of my firing. I knew intellectually that this was not all my fault. But I took it on full force myself, and I did that for days on end until my

**In a 2007 campaign meeting, Presidential Candidate Hillary Rodham Clinton, right, sits across from her campaign manager, Patti Solis Doyle, below.**



husband came into our bedroom one morning and basically said, “Patti, I love you. The kids have to get to school, I have a meeting, and you have to take a shower because you are starting to smell.” That kind of woke me up. So I took a shower, and as I was dropping off my youngest, Joey, I had to take him inside school because we were late, and one of his little friends, Chilamo, came up and said to me, “My mommy says you got quitted.”

That broke the fever for me. I started laughing. Joey, my son, started laughing. “That’s exactly what happened to me,” I said. “I got quitted.” Then the teacher came up and said, “I understand you may have some time on your hands,” and a moment later I was appointed the Parent Volunteer to run the first-grade play. That was the first step for me in coming back to life.

A couple of months passed. Senator Obama clinched the nomination. Meanwhile, I was absorbed in family. One day I received a call from my friend David Axelrod. We’d known each other for 30 years from Chicago politics, and we’d worked together on and off. Now he was the Senior Strategist of the Obama campaign. He said, “We want you to come work for us. We want you to run the VP roll-out. We don’t know yet who the VP is going to be. So it’s going to need to go from zero to 60, and we want you to run it. You’re one of very few people who can take a campaign from zero to 60.”

I said yes, and the rest is history.

Looking back, the experience brought home how much family matters, and how much community matters. What also matters is how you’ve conducted yourself over your career. Senator Obama wouldn’t have hired me if I hadn’t acted with integrity as campaign manager to his chief rival, and if I hadn’t behaved with integrity in other campaigns in the preceding years. How you conduct yourself always matters.

By the way, I made a heck of a first-grade theater director. You’ve never seen a better first-grade production of *Somebody Loves You, Mr. Hatch* than what we put on at Sidwell School that spring. ♦

*After the Obama/Biden victory in November 2008, Solis Doyle turned down an offer to work in the Obama White House. Determined to spend more time at home with family, she started her own political consultancy before joining Brunswick Group in 2019 as a Partner in Washington, DC and as Head of the firm’s US Public Affairs offer.*

# SEEING CHINA CLEARLY

**T**AO WANG, MANAGING DIRECTOR, CHIEF CHINA Economist and Head of Asia Economic Research at UBS Investment Bank, is the author of the new book *Making Sense of the Chinese Economy*, distilling for non-economists her decades of experience analyzing the policies, ideals and realities of economic structure in China. • Wang was interviewed in New York at a recent Brunswick event by Partners Andy Browne and Seth Faison of the firm's China Hub. Browne won a Pulitzer Prize in 2007 as part of a team of reporters from *The Wall Street Journal* in Beijing. Faison is the former Shanghai Bureau Chief for *The New York Times*. • "I think it's fair to say that Tao has really had a significant influence on how the world thinks about China," Browne told the audience. "She has this way of making complex ideas understandable. She

is plugged in and knows how decisions in China get made. A whole generation of reporters in China, like Seth and me and others in this room, used to pick up a phone on deadline to call Tao, because we knew we were going to get a considered, measured view on the Chinese economy."

**Tell us about you. Where did you grow up? How did you make your way to become an economist?**

I grew up in Hunan, Changsha, in a period where every purchase needed a ration coupon [*liang piao*]. You needed *liang piao* to buy grain, to buy tofu, to buy eggs, to buy pork, to buy cloth for clothing. And certainly you needed a coupon to buy a bicycle, which was really a luxury. In the university where my father worked, there were only a few people who had bicycles. His bicycle was a treasured item.

PHOTOGRAPH: COURTESY OF TAO WANG



**TAO WANG**, Chief China Economist for UBS Investment Bank, shares insights from her new book with Brunswick's **ANDY BROWNE** and **SETH FAISON**.



I grew up in that environment. I went to study economics in Beijing, in the mid- to late-'80s—the period of the great opening, of ideas, especially imported ideas. All kinds of things were debated.

I applied to graduate school in the US in a very old-fashioned way: I got a directory of US universities and thought, “New York, I’ve heard of. Boston, I’ve heard of.” I applied to universities there and asked them to send me an application. “By the way I don’t have money. Could you waive my application fee? And could you give me a scholarship?” NYU did. I was very grateful to them and studied here in the US. I found a job at the International Monetary Fund, learned a great deal there. And then I went to the private sector.

**What were your goals in writing this book now?**

I have been studying China basically for the last three decades and have been asked all kinds of questions. Some of the questions actually don’t change, especially in the last 15, 20 years. There’s always concern about China, that the economy’s going to blow up. So one motivation was to put my answers together. I wanted to bring more of a balanced view, because I feel that the narrative about China sometimes swings with the political wind.

In the early days, people would say, “China’s just growing because of cheap labor, exporting low levels of human rights.” Then people would say, “Oh. It’s demographic dividends,” or, “It’s WTO entry.” Or, “It’s not paying for technology.” In the last few years, there seems to be a sense that it’s state capitalism. So, I wanted to bring some context—how things have really come about. I think people sometimes use a narrative to simplify things a bit too much.

**As you were doing the writing and the research for this book, what surprised you?**

One thing I learned is how reform policies actually came about. Many things in China were done not because of a grand plan in the beginning—even important reforms. For example, the agricultural reform did not come from Deng Xiaoping or the World Bank. It came from a bunch of starved farmers in a village in Anhui. A couple of years later, the leadership said it was OK to do that. And then it spread to the rest of the country.

When I think about why China seems to defy the predictions of doom over and over, I think one reason is that policies and government administrations do respond to something that’s happening in the economy. They don’t always have a grand plan very far out. They seem to be always fighting the fire of

the moment. But when the fire comes, they do fight it and they always muddle through.

That's the positive side. On the negative side, those kind of solutions are always compromises, emergency solutions. They solve some problems, but they also create some distortions at the same time. Like the tax reform in the mid-'90s was widely considered a success, but that left a lot of problems that we're still dealing with today.

**Can you talk more about the reforms sparked by farmers in Anhui? The impression in the West and much of the rest of the world was that Deng Xiaoping came to power in 1978 and he launched this different direction.**

So there's a little village called Xiaogang in Anhui. Anhui was known when we were growing up as a very poor place where people could starve. At that time, there were 18 farmers in a work unit, a little *danwei*, and the leaders decided to give the land to the farmers to plant whatever they wanted.

In 1978, they signed a contract. The lower-level leaders knew that if the upper level found out, they would be blamed. They put their political careers on the line.

That experiment produced a good harvest. People survived. It was a good outcome. That got reported and a few other places did the same thing. It was not until 1982 that the senior leadership decided to say it's OK to do that. Before that, there was serious debate: Is that capitalism? Is that allowed? Is that not violating the ideology?

It was not a grand design by Deng Xiaoping. But what Deng Xiaoping did bring was to allow openness, allow the experiment, rather than sticking to ideology. He wanted to be pragmatic. The goal is what they call liberating productivity. And it got people to a better place.

**You have said that you see in these different periods some recurring phenomena. Tell us more about the continuity.**

I think the continuity is: What policies are responding to the most pressing issues of the time? That's the pragmatism I'm talking about.

In the late '70s, early '80s, the problem was how to feed people. People were starving. The economy was at the brink. So how do we get people to be not so poor? The reforms in the '80s are about releasing productivity without touching the fundamental ownership structure. It starts with the farmers' reform—but that's the collective. It's not the state-owned enterprises—the SOEs are not really

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impacted. They allowed some SOEs a little more freedom of operating, but not others. And then reform kind of petered out around '89 or so.

It got kickstarted again with Deng Xiaoping's 1992 Southern Tour. He famously said that those who do not support reform should not be in power. He was not officially in power himself anymore at that point. But those remarks put some pressure on the leadership to move ahead.

The '90s reform was more fundamental in the sense that it was geared toward establishing a market system. There was a lot of debate. But the 14th Party Congress basically said, "We are going to establish a socialist market economy," which set this ideology. Can the market coexist with socialism? Essentially, they said it can. It can flourish.

So they started to allow much more private ownership, reforming SOEs, establishing markets, commercial banks, the stock market and all the sort of nuts and bolts that a market economy should have. But as I said, some reforms also created some issues. They gave banks a lot more freedom to be commercial and so on. But accountability and responsibility weren't quite there. It led to rapid credit growth, a lot of bad debt and so on.

That came into the late '90s. China had to restructure the banks, restructure SOEs, lay off a lot of people. And that brought up the issue that China did not have a social safety net, outside of the lifetime employment of the SOEs.

The late '90s was a very tough period of time. Millions and millions of people were without jobs. The government basically defaulted on its promise. Inequality increased a lot. To try to address that, they started building up a basic pension system, restructuring the banks and dealing with the SOEs—and start from there.

Now, people often say, "China is in a post-reform era—the last 10 years, there hasn't been any reform." And yes, if you think reform is about privatization, we haven't seen much of that in the last 10 years. The share of state-owned enterprises has not decreased. But if reform also includes some structural issues, like building the pension system, and unifying tax code, abolishing agriculture tax and so on, then that did happen.

We have also seen more regulations on the environment, more regulations on digital platforms, on the financial sector and so on. Is that anti-reform? I'm not so sure. Because there was actually a lack of regulations. It was kind of like the Wild West in China. Is that necessarily the exact right approach? It's highly debatable.





### What's the outlook now?

I would say there has been some change. The ideological part, that element has increased. With the new government, and in the last 10 years with President Xi, there's definitely a more open embrace of state ownership, acknowledging that, yes, that's the bedrock of the system, and we're going to continue to keep it strong. We can make it more efficient, but we are not going to privatize it.

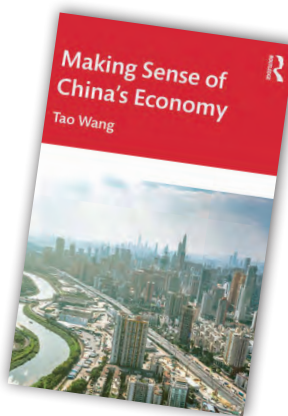
There's also an increased element of national security concerns. That's partly a kind of response to how the outside is viewing China as a threat and it's a headwind for China's growth. So there is this strengthening of party leadership and ideology, along with this desire to grow to become a modern, advanced economy, which probably means more public participation and more scrutiny from the public—there may be some tension there as well.

China faces an aging population. It's not yet a strict constraint for growth, because China is not lacking people. China still has high unemployment, high youth unemployment. And a lot of people are still looking for jobs. But I think over time that's going to be a headwind as well.

In terms of the outlook, the more pessimistic people would say, "China is turning more state-controlled. China is moving away from reform." I push back on all of those issues.

I think the government has definitely increased its role in some areas, in public services, in regulations and so on. But if I look at the share of the state ownership—yes, that did not decline in the last 10, 15 years, but it did not increase either. In terms of the tech restrictions and so on, there are headwinds. But China's level of productivity is still very low. China's per capita GDP is still less than 20% of the US level. China is not a developed country.

**Economist and author Tao Wang at Brunswick's New York office, where she offered her view of China's economy.**



**ANDY BROWNE** was a China Editor and columnist for *The Wall Street Journal* for 35 years.

**SETH FAISON** was Head of Communications at the Global Fund to Fight AIDS, Tuberculosis and Malaria and a former Shanghai Bureau Chief for *The New York Times*. They are both Partners in Brunswick's New York office.

### Per capita GDP is less than 20% of the US? Wow.

Yes. It's still a relatively poor country. That means there is still a lot of room for China to apply mature technology to improve its industrial and services sectors. That could be using automation, using robotics, the transition toward greener development. China's economy is highly polluting and very energy- and emissions-intensive. The move away from that requires a lot of upgrading and investment.

There's still a lot of potential for China to move up the value chain. On the one hand, there are headwinds. But on the other, there are forces still supporting decent growth—not as high as in the past decade, certainly not as high as the previous two decades. But still higher than most developed countries, and higher than most of its large trading partners.

**You point out in the book that the really big pieces of reform—*hukou* reform, reform of the taxation system, property taxes—have been very slow to kick in. China muddles through. On the other hand, there is a crunch coming.**

China's domestic policy reform is also very hard to push through, despite the fact that it's a one-party state, because there are politics everywhere. There are strong conflicts of interest between different groups of people when it comes to who has to sacrifice. So *hukou* reform, for example, basically involves allowing the migrants and the rural people to have better entitlements, benefits equal to the urban residents. That seems very good. But that means the existing urban population would have their benefits reduced.

Property tax should be implemented, but 90% of the people own homes and nobody wants to pay tax. So it's very hard to push through. Every step of the way, there are difficulties. In the next five to 10 years or longer, the biggest challenge for China is within.

With an aging population, you will have rising spending responsibilities on pension and health-care. China's current system is not sustainable. Where will the government find revenues to fund that? It requires tax reform. It requires changes in the pension system, in the benefit structure. It requires a huge amount of political capital to push through even one of these reforms. But if you don't go through it, you could end up with a lot of social problems. I don't think that just because China has a different system from the West that these kinds of problems go away.

A leader needs to focus on certain priorities. You cannot do everything at the same time. So reform in China often has gone through the paths of least resistance. ♦

# Criticalmoment



PARIS OLYMPICS, 1924

**F**OR CENTURIES, EUROPEAN LEADERS TRIED reviving the Ancient Olympic Games of Greece, which had petered out eons earlier. Success finally came with the 1896 Games, thanks largely to Pierre de Coubertin, a French educator now known as the founder of the modern Olympic Games. From 1896 to 1925, de Coubertin served as President of the International Olympic Committee, which he helped create. His heart is interred near the town of Olympia in Greece.

De Coubertin may be the Frenchman most associated with the Olympics, but the entire nation has helped sustain a movement that could easily have died. After all, the Games took years-long breaks during both World Wars, early on attracting minimal participation and even less attention, some of it embarrassing, as when the 1904 marathon winner was found to have ridden 11 miles in a car.

Next summer, the IOC—an international organization decades older than the United Nations or World Bank—will hold the 2024 Games in Paris, marking the sixth French Olympics, more than any other country except the US (eight).

Track at the '24 Games was dominated by the "Flying Finns," Paavo Nurmi, above right, and Ville Ritola, winners of nine gold medals. Below, Johnny Weissmuller, future Tarzan.



**KEVIN HELLIKER**, a Pulitzer Prize-winning journalist, is Editor of the *Brunswick Review*.

These Games come a century after the 1924 Paris Olympics—the first Games to grab and keep global attention. *Chariots of Fire*, a 1981 movie about the 1924 Games, won four Oscars. One American star—swimming's first superstar and gold medalist Johnny Weissmuller—gained later fame playing Tarzan. As one of the world's best-known actors in the '40s, Weissmuller contributed to the decision to resume the Games following a 12-year war-induced break.

Since Paris 1924, the number of competing nations has grown fivefold, to more than 200. Medal events have nearly tripled to 329. The number of athletes has more than tripled to about 10,500—half of them women, up from 135 female athletes a century ago. Long gone from the Games is a sport called Savate. New in 2024: competitive breakdancing.

The 2024 Paris Olympics will bring similarly durable benefits, predicts Guillaume Maujean, Head of Brunswick's Paris office. "The Games will visibly and lastingly transform the Île-de-France region, one of the most diverse in France," he says. "The Games will affect changes in social habits, spur economic growth and enhance the environment." ♦



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